



KURITA WATER INDUSTRIES LTD. Integrated Report 2022



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KURITA WATER INDUSTRIES LTD.
Integrated Report 2022

Fiscal year ended March 31, 2022



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Editorial Policy

The Integrated Report features the Kurita Group's vision for the medium to long term, as well as its management strategies, business model, and management foundation for achieving this vision. The content is intended to increase the Company's corporate value by covering our dialogues with stakeholders, including shareholders and investors.

Organizations Covered

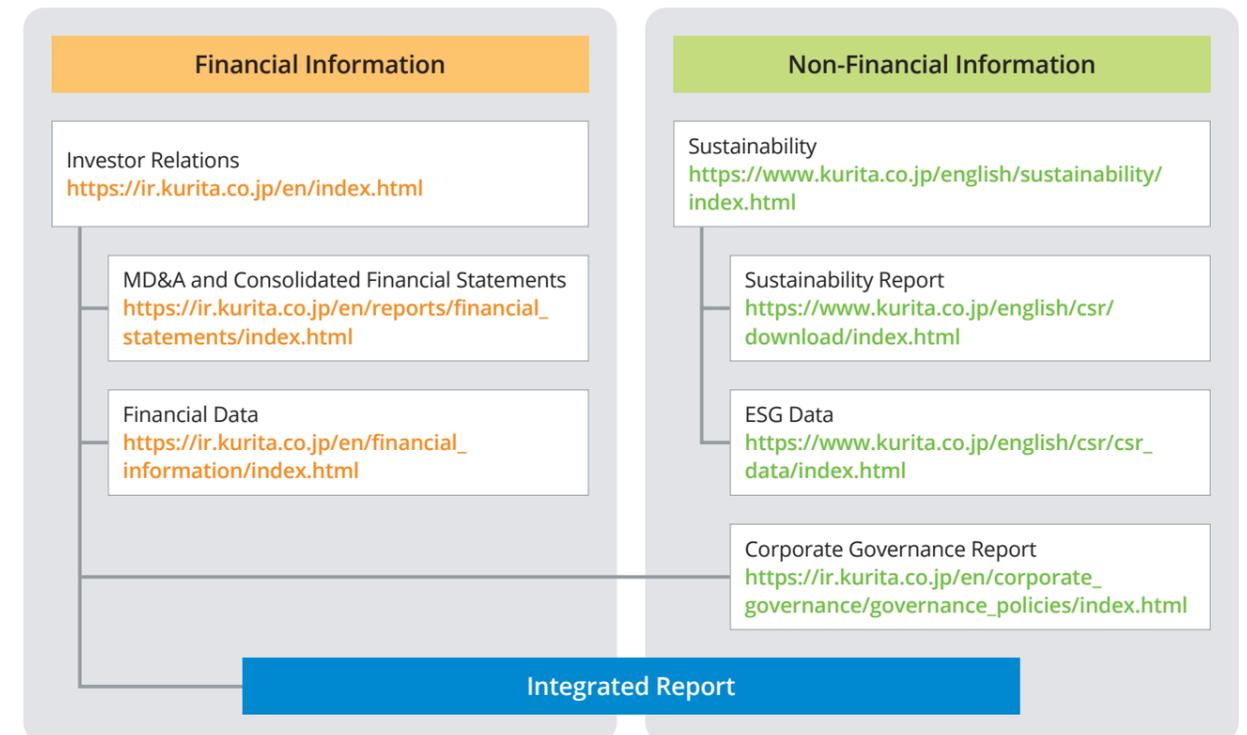
Kurita Water Industries Ltd. and Consolidated Subsidiaries

Period Covered

Fiscal 2022 (April 1, 2021 to March 31, 2022)

* Some content includes initiatives that fall outside of this period.

Information Disclosure System on the Company's Website



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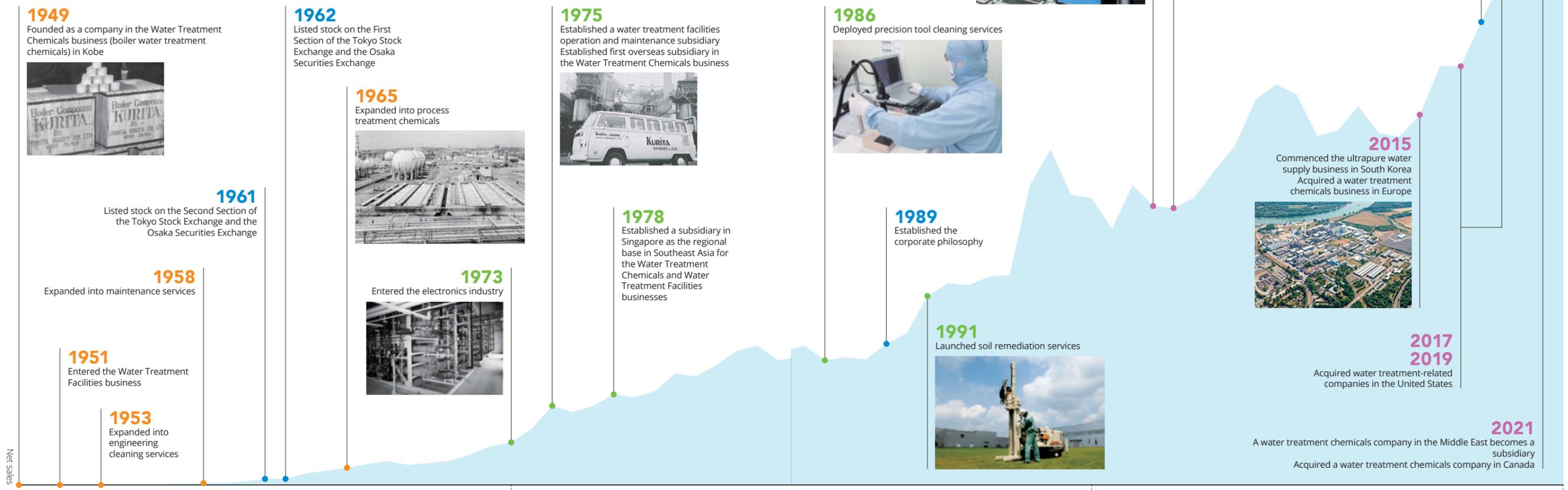
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Disclaimer

This report contains forward-looking statements from Kurita Water Industries Ltd. and its consolidated subsidiaries pertaining to plans and strategies. These forward-looking statements are based on currently available information, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

History of Value Creation

Founded in 1949 to sell water treatment chemicals for boilers, the Kurita Group started out providing value to customers by supporting the safe and efficient operation of their facilities. In the years since then, the Group has steadfastly focused on providing this value to customers, contributing to the development of industry and society by solving issues related to water and the environment. The Group will continue to build on this progress by providing stakeholders with new value, aiming to realize its corporate philosophy, "Study the properties of water, master them, and we will create an environment in which nature and humanity are in harmony."



Post-War Recovery Period (1949-1954) / High Economic Growth Period (1954-1973)

Stable Growth Period (1973-1991)

Information Society Development Period (1991-1999)

Period of AI and IoT Advancement (1999-)

Kurita Establishes the Spirit and Business that Form its Foundation

Kurita's founder developed an innovative business model that combined optimal treatment and effect verification based on data with the experience-based treatment that was the mainstream approach to boiler water treatment in Japan at the time. The principle of "Providing the unique value that only Kurita can create" became the driving force for realizing the model, and it lives on today in the Kurita Group's DNA. Against the background of development in Japanese industry, the Company established the three functions of water treatment chemicals, water treatment facilities, and maintenance services. By supporting the steel, pulp and paper, and petrochemical industries with water treatment solutions, the Company achieved steady growth.

Development as an Environmental Company and Establishing a Position in the Field of Water Treatment for Electronics Industry

As areas all over Japan experienced worsening pollution issues accompanying economic growth, Kurita made its mark as an environmental company by working to solve pollution due to industrial and household wastewater. In the 1980s, Kurita established a firm position as a provider of water treatment solutions for the electronics industry by meeting the industry's growing demand for advanced water treatment with ultrapure water technology. In 1989, marking its 40th anniversary, Kurita formulated the current corporate philosophy. It shared its mission of creating shared value with society in the fields of water and environment, and expanded its business to include soil remediation.

New Business Model Deployment and Global Business Expansion

In 2002, as the electronics industry continued to develop even further with the advance of IT, Kurita developed a new service contract-type business model in the form of the ultrapure water supply business. Subsequently, the Company continued to change its business model, creating various new services that identified customers' issues from the perspectives of saving water, reducing CO₂ emissions, and reducing waste, and provided solutions for them. From 2015, the Company began full-fledged expansion into overseas business through M&A, and is promoting global development of total solutions.

Philosophy System

The missions that the Kurita Group aims to fulfill in society, its medium- and long-term visions, and its ways of thinking and values as the foothold for achieving them are stipulated as the Kurita Group Philosophy System.

Corporate Philosophy

Study the properties of water, master them, and we will create an environment in which nature and humanity are in harmony

1. Kurita Group will contribute to facilitate the coexistence and shared prosperity of the natural environment and human society by creating shared value with society through water.
2. Kurita Group will generate new functions and value for water, through further exploration and exploitation of the fundamental properties of water.
3. Each individual of Kurita Group will adopt its customers' point of view and solve their water and environmental issues, by making full use of its unique technologies, products and services.

* The corporate philosophy was set out in 1989 to mark the 40th founding anniversary of the Company.

Corporate Vision

"A Creator of unique value to the solution of water and environment," contributing to the realization of a sustainable society.

1. Kurita Group will seek to create shared value with society such as environmental preservation and the effective use of resources, and will realize its corporate philosophy, by continuing to innovate and through businesses contributing to the natural environment, industry and people's lives.
2. Kurita Group will, as an indispensable partner, create value for customers such as "pursuit of safety," "productivity enhancement" and "reduction of environmental impact."
3. Kurita Group will evolve its "service business" and will provide customers, at speed, with comprehensive solutions making full use of Kurita's technologies, products and services in water treatment chemicals, water treatment facilities and maintenance services.

Basic Policy

The basic policy encompasses the management direction and aims of the Group and forms the foundation of the Kurita Group Philosophy System

- | | |
|---|--|
| 1. Kurita Group Code of Conduct | 5. Kurita Group's Policy on BCM (Business Continuity Management) |
| 2. Corporate Governance Policies | 6. Kurita Group Human Rights Policy |
| 3. Basic Policies for Constructing an Internal Control System | 7. Kurita Group Anti-Bribery Policy |
| 4. CSR Policy | 8. Kurita Group Antitrust Policy |

Core values

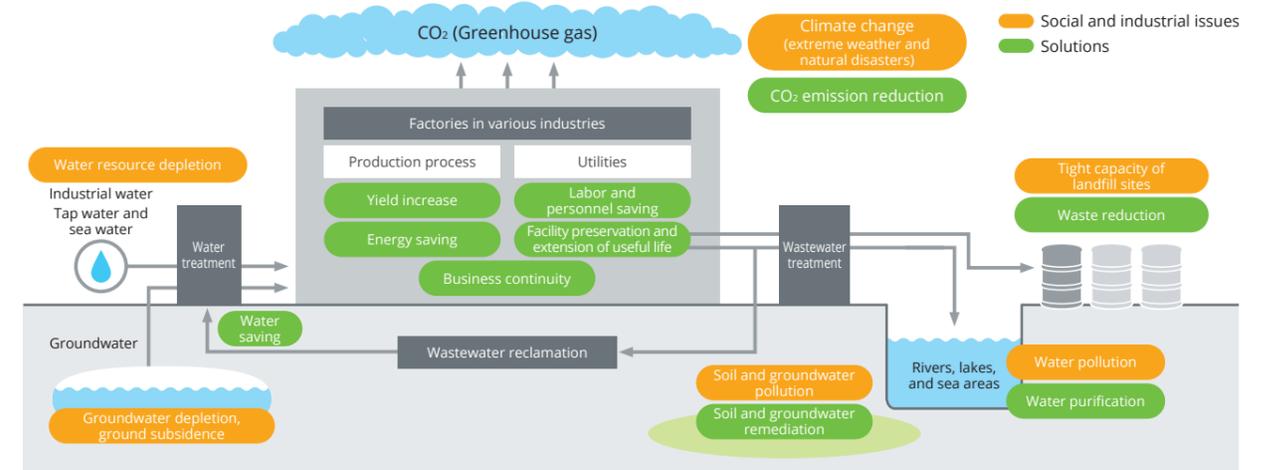
Stipulates the basic values guiding judgments and actions to be shared by all officers and employees in conducting business activities.



Kurita Group Philosophy System https://www.kurita.co.jp/english/philosophy_vision/index.html

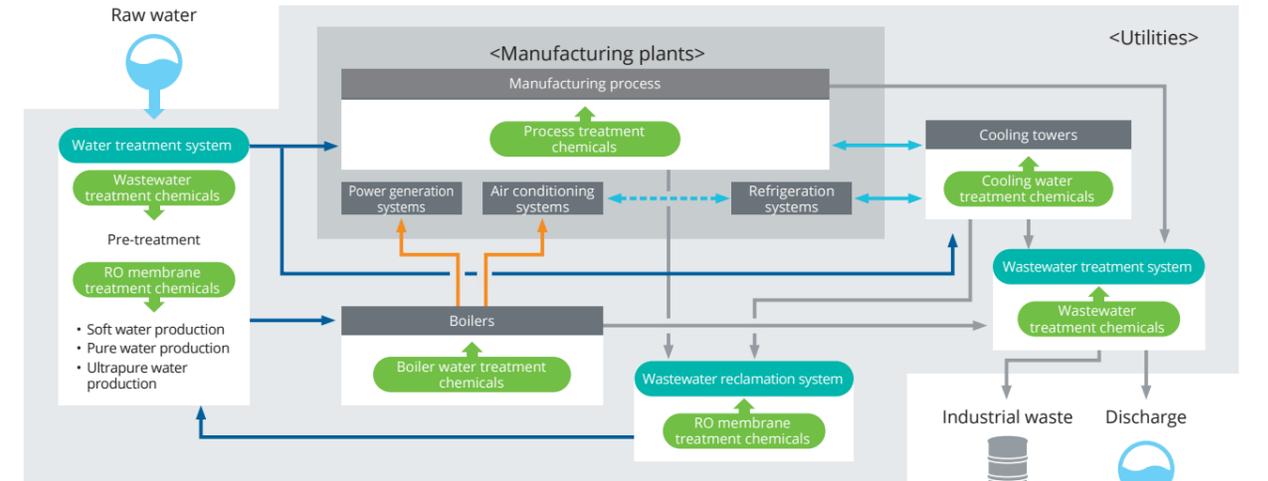
Business Fields

Social and Industrial Issues and Water Treatment Solutions

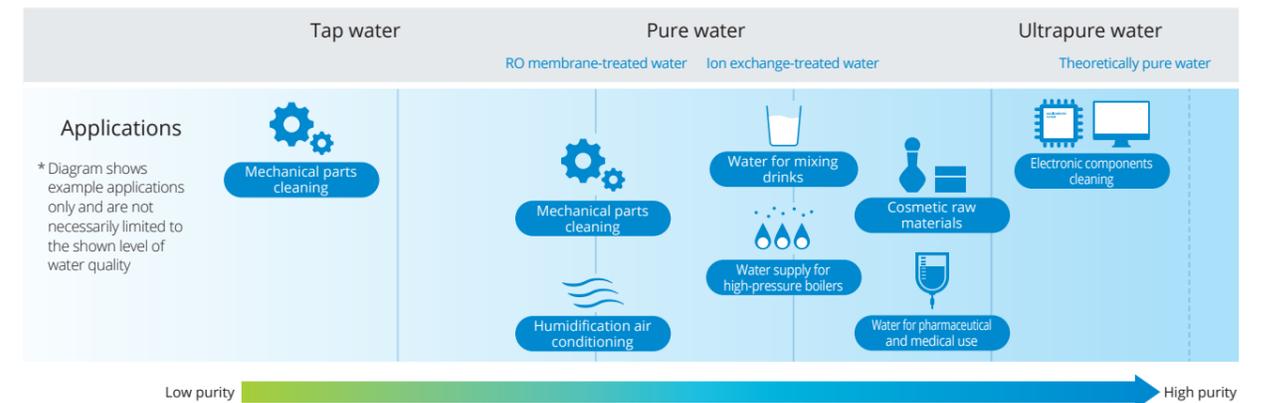


Water Treatment for Factories

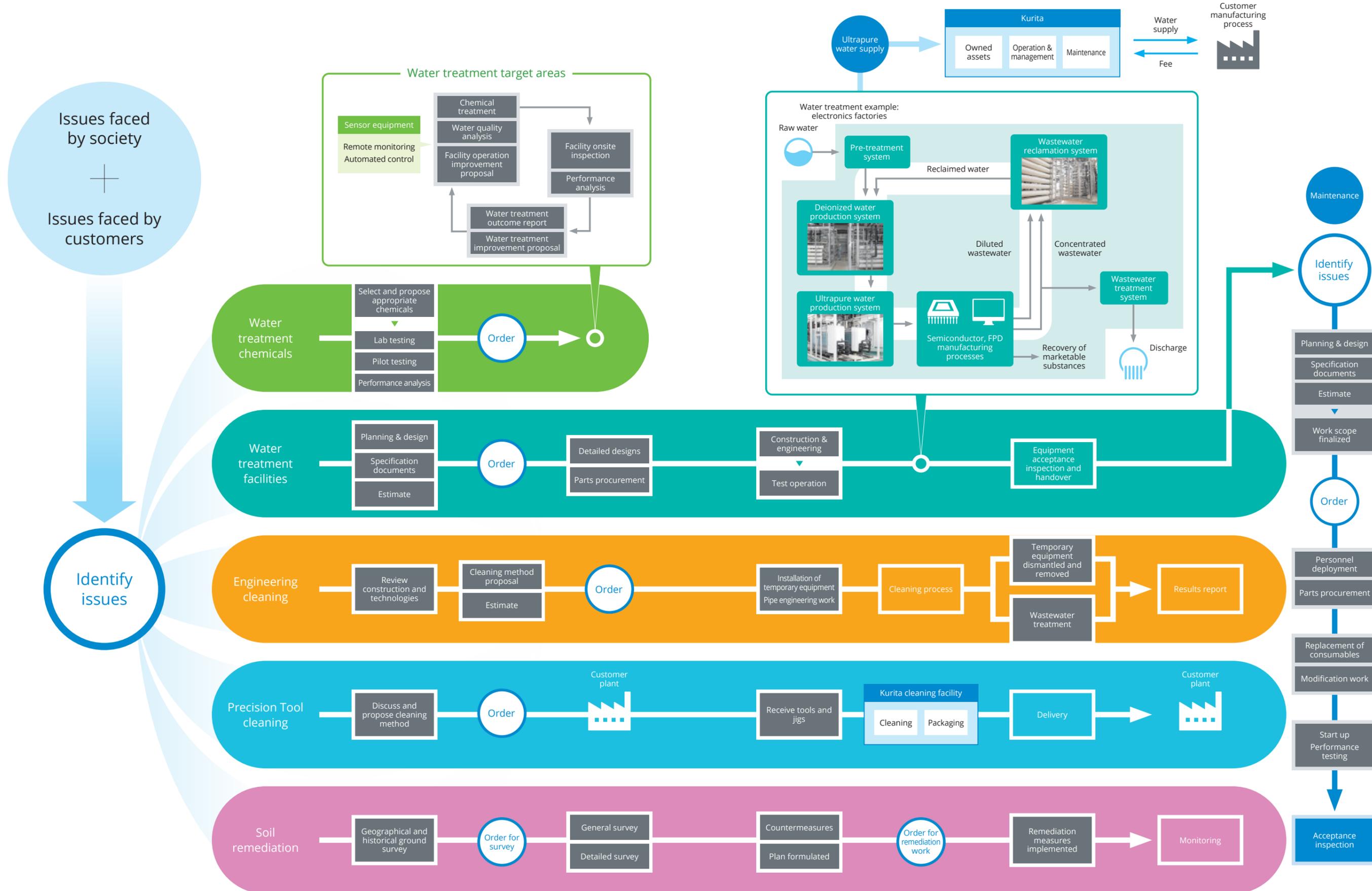
- Water Treatment for Factories - Support for All Processes



Water Purity and Related Applications



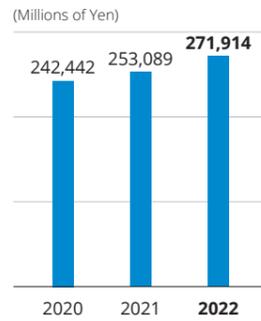
Main Business Flows



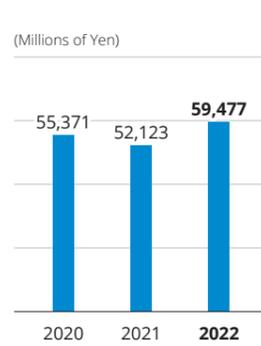
Management Resources (Fiscal years ended March 31)

Financial Capital

Equity Attributable to Owners of Parent

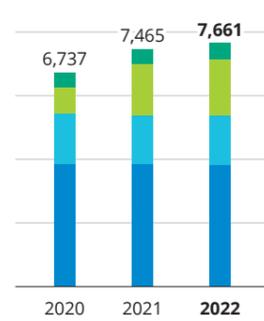


Interest-Bearing Debt



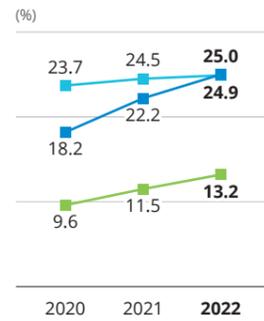
Human Capital

Number of Employees by Region



■ Japan ■ Asia ■ North & South America ■ EMEA*
* Europe, Middle East and Africa

Ratio of Female Directors and Employees



■ Ratio of female directors (non-consolidated)
■ Ratio of female employees
■ Ratio of women in management positions

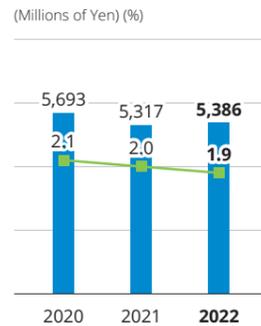
Intellectual Capital

Number of Patents



■ Number of registered patents
■ Number of filed patents

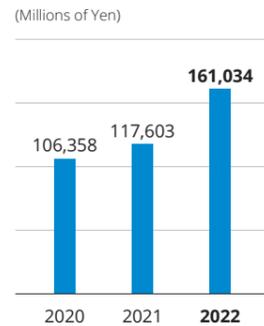
R&D Expenses and Ratio of R&D Expenses to Net Sales



■ R&D expenses (Millions of yen)
■ Ratio of R&D expenses to net sales (%)

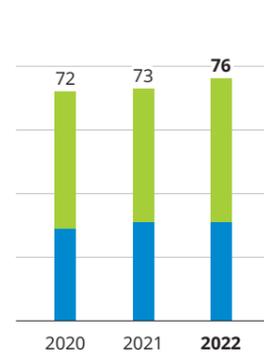
Manufactured Capital

Property, Plant and Equipment



■ Japan ■ Overseas

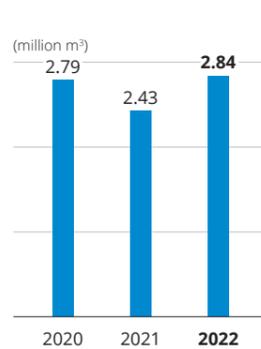
Group Network



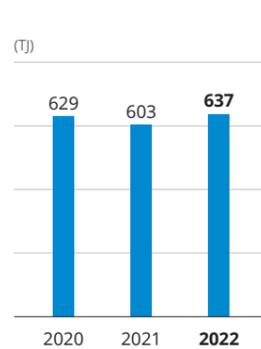
■ Japan ■ Overseas

Natural Capital

Water Intake

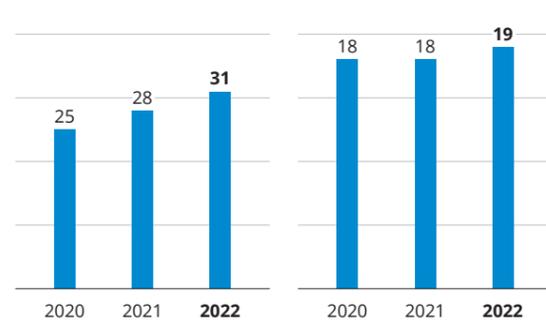


Energy Consumption



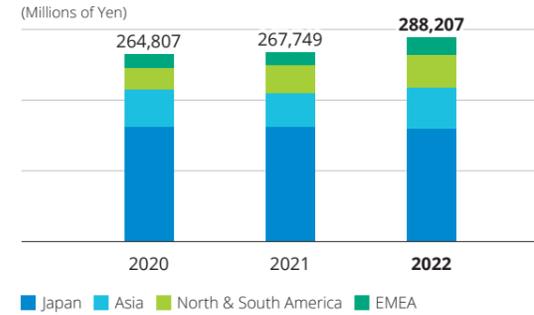
Social and Relationship Capital

Number of Certified Companies



Performance (Fiscal years ended March 31)

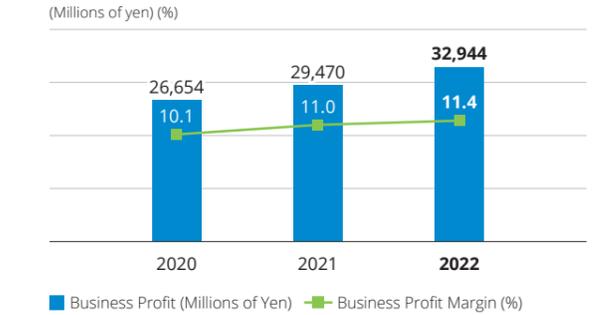
Net Sales



■ Japan ■ Asia ■ North & South America ■ EMEA

Sales increased due to the impact of consolidating water treatment chemicals companies in the Middle East and Canada and a recovery in demand for water treatment chemicals overseas, as well as growth in the maintenance, precision tool cleaning, and ultrapure water supply businesses in Japan and overseas.

Business Profit and Business Profit Margin

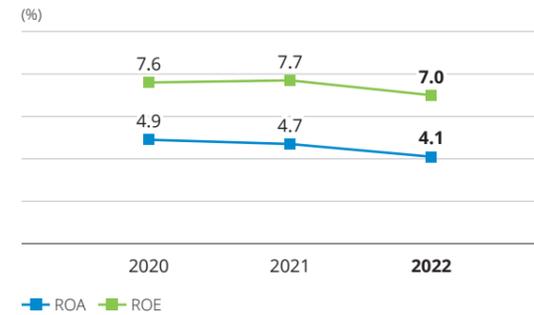


■ Business Profit (Millions of Yen) ■ Business Profit Margin (%)

Business profit increased due to an improvement in the cost of sales ratio, mainly due to an improved product mix resulting from an increase in the ratio of services in the Water Treatment Facilities business, and the impact of higher sales, despite an increase in selling, general and administrative expenses following a recovery in sales activities.

* Business profit = Net sales - Cost of sales - Selling, general and administrative expenses

Return on Assets (ROA) and Return on Equity (ROE)



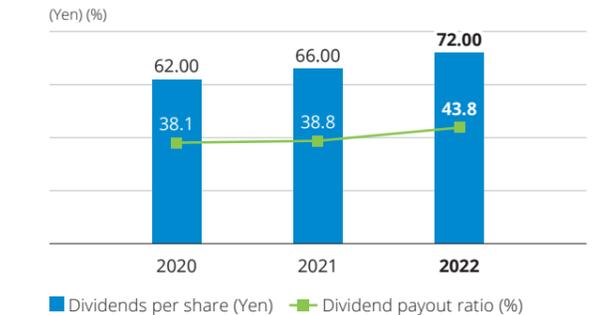
■ ROA ■ ROE

ROE and ROA both decreased following a decline in profit attributable to owners of parent after the Company posted finance costs resulting from the subsequent measurement of liabilities related to a forward contract concluded with non-controlling shareholders of U.S.-based Pentagon Technologies Group, Inc.

* ROA = Profit attributable to owners of parent ÷ Total assets (Average) × 100

* ROE = Profit attributable to owners of parent ÷ Equity attributable to owners of parent (Average) × 100

Dividends per Share and Dividend Payout Ratio



■ Dividends per share (Yen) ■ Dividend payout ratio (%)

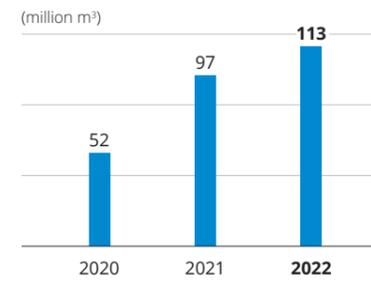
Kurita's policy is to continuously increase dividends where possible. In line with that policy, the dividend was increased for the 18th consecutive year. There was an increase in the dividend payout ratio due to an increase in earnings per share.

Kurita Group KPI: Customer Impact Reduction – Kurita Group Impact

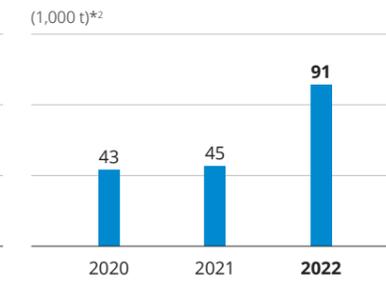
The Kurita Group aims to support environmental impact reduction*1 in the operations of its customers to offset and even exceed the environmental impacts of its own business. To this end, we have set numerical targets for the "amount of the reduction in environmental impact of customers - the amount of the Kurita Group's own environmental impact," with regard to water, CO₂, and waste.

*1 The Kurita Group has defined products, technologies, or business models that contribute significantly to water-saving, CO₂ emissions reduction, and waste reduction compared to previous levels as the "CSV business." The reduction of environmental impact from customers' operations is calculated based on results of applying the CSV business. Further information about the CSV business can be found on page 24.

Water Savings at Customers – Amount of Water Intake Used in Our Business Activities

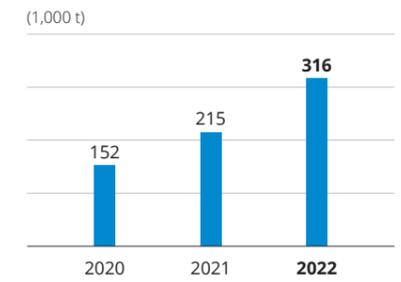


CO₂ Emissions Reduction at Customers – CO₂ Emissions from Our Business Activities



*2 "CO₂ emissions from our business activities" include emissions generated from the ultrapure water supply business, which comes under Category 13 of Scope 3, as well as emissions in Scope 1 and 2 stipulated in GHG (Greenhouse Gas) protocol.

Waste Reduction at Customers – Waste Generated from Our Business Activities



Interview with the President

Continuing to transform the Kurita Group to create new shared value with society

We have been forced to fundamentally rethink our values after what the world has gone through in the last few years. The pandemic, geopolitical risks, climate change and other developments have converged in complex ways to change society's priorities and transform the way people do business. In today's highly unpredictable world, the role of companies is again being questioned – how they should act and what value they should provide.

As the Kurita Group grapples with this essential question of its purpose in society, we feel a strong sense of responsibility to ensure business continuity at our many customers, whose businesses underpin society and industry. In the face of far-reaching societal changes, our unwavering mission is to provide new value to society and industry by solving issues for customers, ultimately helping to realize a sustainable society – the goal of our corporate philosophy.

To continue creating new shared value with society, we need to be more flexible and drive change ourselves. To do that, the Kurita Group is transforming itself. By dismantling preconceived ideas and opening up new possibilities in water treatment, we aim to meet the expectations of all our stakeholders.

July 2022



Michiya Kadota
President and Representative Director



Interview with the President

Q What is your view on Kurita's operating environment and performance in the fiscal year ended March 31, 2022?

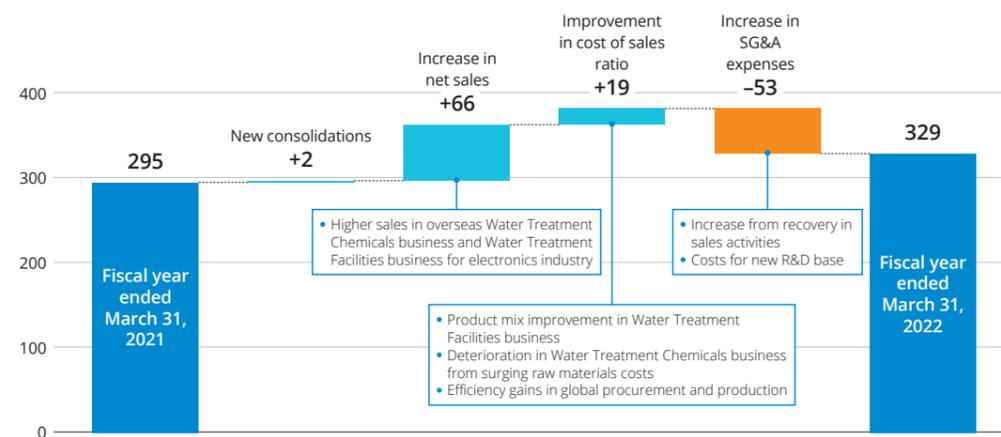
In the past year, we made good progress with reinforcing the Group's earnings base, giving us greater capacity to adapt to changes in the operating environment.

While there was a lingering impact from the pandemic, economic conditions started to recover as business activity returned to normal in many countries. In the electronics industry, the Group's main market, strong demand for semiconductors spurred capital investment and capacity utilization was at high levels at customer facilities. Meanwhile, the rapid rebound in economic activity disrupted global supply chains, with prices surging for various parts and materials, shortages emerging for some components, and logistics costs rising sharply.

Amid these challenges, the Group mitigated risks and tapped into opportunities arising from these conditions, supporting higher sales and profits year on year. Growth in orders and sales was driven by efforts to meet needs from customers for increased production capacity in the electronics industry and by higher demand for water

treatment as economic activity recovered. We also added water treatment chemicals companies in the Middle East and Canada to the Group to reinforce our operations in those markets. In terms of profitability, selling, general and administrative expenses increased in line with the growth in sales, but business profit rose year on year and profitability continued to improve, supported by an improvement in the cost of sales ratio due to a larger sales contribution from higher margin operations, such as maintenance, ultrapure water supply, and precision tool cleaning in the Water Treatment Facilities business. The Water Treatment Chemicals business also reported steady earnings in Europe and ASEAN, where we continued to overhaul the product mix and business portfolio and adjust sales prices. The business also curbed costs through ongoing measures such as global procurement and improvements to manufacturing efficiency, helping to reduce costs. In short, it was a year when long-running efforts to reinforce the Group's earnings base paid off.

Factors Affecting Business Profit (YoY)
(Billions of Yen)



* Business profit is an internal earnings indicator, which is calculated based on net sales after deducting cost of sales and selling, general and administrative expenses to give a more consistent picture of earnings. Business profit is not defined under International Financial Reporting Standards (IFRS), but the Company voluntarily discloses the indicator for reference purposes.

Q What progress did Kurita make with initiatives in the MVP-22 plan?

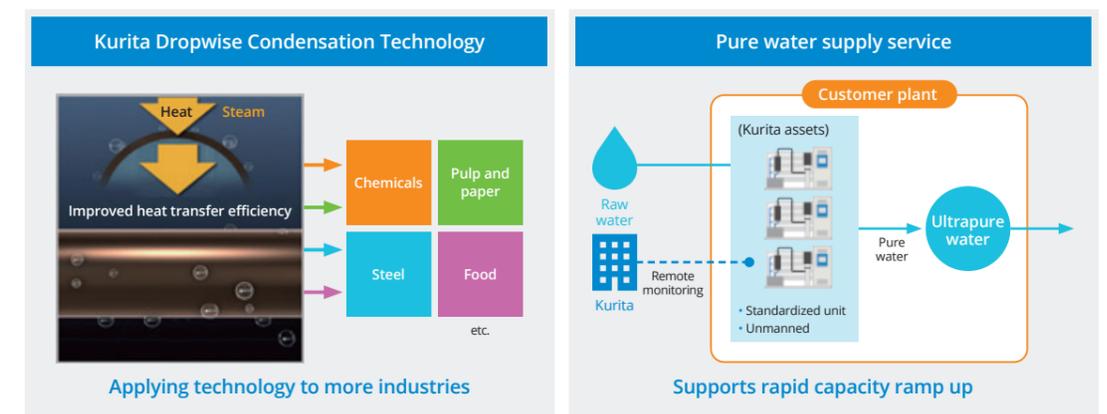
We pushed ahead with measures to overhaul the Group's operations and change how our employees think and act, resulting in many positive outcomes.

One of the key objectives of the Maximize Value Proposition 2022 (MVP-22) plan is to build a robust earnings base by pivoting to services. This involves transforming our business model and business processes so that they are anchored to the idea of our value proposition to customers and society. With that goal in mind, we are leveraging the Group's strong cash flow to make aggressive and rapid investments in our business on an ongoing basis.

To transform our business models, we have to move away from selling products – an approach that is exposed to cost competition – to a new sales approach focused on generating value for customers. We have developed solutions models, essentially a package of services that are deployable at a wide range of different customers. The packages encompass products, technologies, services and contracts that effectively tackle and resolve issues faced by customers. From the fiscal year ended March 31, 2022, we shifted our focus from developing these models to

deploying them. We also worked on developing new applications and new ways of providing existing products and services. One example is our Kurita Dropwise Condensation Technology, which saves energy by improving the heat transfer efficiency of steam-based heat exchangers. We have identified a growing number of new applications for this technology in a wide range of industries. Another is our existing Pure water supply service, a standardized pure water supply service that is gaining ground as a solution for customers who want to rapidly ramp up new facilities. Even existing water treatment chemicals are being moved to a service-based contract model that also encompasses remote monitoring using sensing technologies to optimize dosing, thereby reducing costs and environmental impact. We also continued to expand our "CSV business," which we define as products, technologies or business models that create shared value with society by helping to significantly reduce water use, CO₂ emissions and waste. We have only just started rolling out these new business models, but they are already gaining momentum with customers.

Developing new applications for existing products and services



To capture long-term growth opportunities and create more value, we realized that we first had to expand our business base globally. Overseas, we have actively used M&A to grow the Water Treatment Chemicals business, targeting companies in the U.S./Canada and in the Middle East to acquire sales networks in North America and EMEA, respectively. In an effort to secure competitive technologies and services, we acquired Avista Technologies, Inc., which

supplies unique chemicals and services in the field of RO membranes, and Pentagon Technologies Group, Inc., which has advanced technology and expertise in the field of precision tool cleaning, as well as strong links to customers in the U.S. electronics industry. These acquisitions are not only helping to boost profitability in target markets, but also generating synergies with related businesses in the Kurita

Interview with the President

Group.

With the Group's global business base now in place, we are pushing ahead with efforts to improve profitability both globally and locally. Global Supply Team – an internal project to optimize procurement and manufacturing using the Group's networks – continued to find cost savings, and in ASEAN and China we appointed regional managers to reinforce cooperation between local Group companies and to implement locally led measures that improve profitability.

In Japan, where the Group's strength is its ability to offer total solutions using its wide range of domestic businesses, we are working to lift profitability by focusing on business proposals that address facility-wide and even industry-wide issues. We have reorganized our domestic sales subsidiaries, which has streamlined separate contact points for different products and services into a single service channel and created an integrated framework for offering solutions tailored to the needs of each customer. We also merged an engineering cleaning subsidiary into Kurita Water Industries, allowing us to optimally harness management resources across related businesses to develop total solutions. In the Water Treatment Facilities business, we tightened cost control in manufacturing processes. This included identifying structural reasons for previous cases of non-compliant products, analyzing the underlying causes and sharing the information across the Group, helping us find additional cost savings.

Building a robust business base is important, but changing the mindset within the Kurita Group is also key to achieving the goals of the MVP-22 plan. As part of this, we have overhauled the Group's organization, moving from our long-standing vertical approach along business lines (water treatment chemicals and water treatment facilities) to a market-specific approach, enabling us to comprehensively

target and solve issues in each customer market. These organizational reforms are having the intended impact, with employees steadily adopting a new mindset of developing optimal solutions based on issues faced by customers, not the characteristics of our own businesses or products. In 2020 we formulated Kurita's Value Creation Story, a roadmap to unify all employees behind our vision for the Kurita Group – to grow sustainably with society. In 2021 we developed a human resources strategy to put in place the necessary human resources and organizational framework to realize the objectives of the Value Creation Story.

We have made good progress in many areas, but we also started to see some issues. We found that some of our businesses did not have the right structures or systems in place to respond to the diverse needs and urgent issues of customers during the COVID-19 pandemic, leading to weaker earnings in those businesses. The issues became particularly clear at Kurita America Inc. in the U.S. and in water treatment facilities for general industrial customers in Japan. We moved quickly to turn round earnings at Kurita America by merging our U.S. subsidiary and newly acquired companies in 2020, but the integration process during the depths of the pandemic revealed weaknesses in our business base that prevented us from providing the level of service that our customers have come to expect. Meanwhile, the general industry water treatment facilities business, which is moving to a service-focused model, has been slow to create a solutions lineup for the many different customers in each subsector, as well as related service delivery structures, leading to a weak recovery in profitability. However, if we rebuild our operations in both businesses to focus on customer value, I'm confident they will become growth drivers in the future, as the Group has numerous customer contacts in the U.S. and Japan's general industries – both promising growth markets.



What role should the Kurita Group play in society over the long term?

The various developments of the last few years have converged in complex ways to dramatically change society's values worldwide. New lifestyles created by the pandemic are spurring the digitization of society. This has been compounded by growing geopolitical risks that are making the semiconductor sector, and the electronics industry as a whole, a vital part of our social infrastructure. Amid growing calls for carbon neutrality and the creation of a circular economy, companies are also under increasing pressure to change how they do business, including in their supply chains.

So, what should be Kurita's response to these fundamental changes in society? Throughout its long history, Kurita has supplied products and services to customers that support industry and society. I believe Kurita's role is undoubtedly to help customers continue operating their businesses, no matter how much society changes, by providing water treatment support, ultimately contributing to the creation of a sustainable society. To fulfill this role, we ourselves also have to build an operating structure that is resilient to changes in society, allowing us to continue providing products and services to customers as a sustainable company.

Until now, the Kurita Group has achieved stable growth by operating in business domains related to water, which is needed in all industries, with customers seeing us as their partner. But amid an increasingly uncertain business outlook, Kurita may lose its relevance if we fail to continually question how we do business and adapt to changes and new values in society. Instead of sticking to existing approaches, we must explore new possibilities and create new value in water treatment. That will mean developing new solutions, and without doubt, our people will be the driving force in that process. We will think and act proactively in response to change – for society, for our customers, and to realize our vision for the Kurita Group. Getting the most out of our people will be more important than ever. Actively targeting management resources on human resources development, along with our existing and ongoing investments in asset-owning services businesses and M&A, will help us build an even stronger foundation for long-term growth.



What measures are planned for the final year of MVP-22?

The fiscal year ending March 31, 2023 is the final year of the MVP-22 plan. We will finish it off by completing work on building a robust earnings base and by training human resources to drive the Group's ongoing transformation. This will give us the foundations for the Group's next phase of growth.

To reinforce the earnings base, we will continue to reform our business models and business processes based on strengths and weaknesses highlighted in the last year.

In the electronics industry, which we have positioned as a growth market, we will leverage our diverse customer base – ranging from cutting-edge chipmakers to suppliers of general-purpose electronic parts – and our extensive portfolio of technologies and services to expand points of contact with sites in the industry and grow earnings.

Electronics companies often need to ramp up new facilities rapidly, so we are working to automate facility design processes and make parts and material procurement more efficient, sometimes with the help of external partners, to give customers the quality they demand more quickly and at a lower cost. Achieving carbon neutrality and building a circular economy are common challenges faced by all industries. In April 2022 we established a dedicated team to lead the development and commercialization of technologies and services that contribute to decarbonization and waste reduction.

Meanwhile, reinforcing Kurita America's earnings base remains an urgent issue for us. Our first priority is to rapidly establish a procurement and supply system to ensure customers receive products and services in a timely

Interview with the President

manner. After that, we will deploy high-value-added products and services such as CSV businesses and total solutions. To generate long-term growth in the U.S. market, we will assess opportunities and risks in the electronics sector while exploring the feasibility of engineering, procurement and construction (EPC) projects.

We believe digital transformation (DX) holds the key to accelerating the pace of reform in our business models and business processes. One of the Group's strengths is its diverse points of contact with customers in a wide range of industries, with Kurita involved in water treatment for industrial utility applications through to production processes. All the expertise gleaned from these contacts, including information about customers' products, concerns and operational data, will help us to create new solutions. In the final year of MVP-22, we will develop effective rules and mechanisms to gather and use information across our value chain to support these solutions.

To continue creating new value in water treatment, our employees need to recognize the need for reforms to encourage them to think and act independently, and we will therefore put the highest priority on personnel training and development.

Under our new human resources strategy formulated in the fiscal year ended March 31, 2022, we will focus first on creating an organization and corporate culture that facilitates innovation by diverse human resources across the Group. Led by the Corporate Planning and Management Office of Kurita Water Industries, we will formulate Group-

wide measures for human resources development to ensure all Group companies are pushing in the same direction, and cultivate human resources with crucial skills such as specialized technical and digital expertise.

We also need to implement processes that link changes in mindset to everyday actions, so that steady progress with transforming employee behavior across the Group is irreversible. In April 2022 we opened the Kurita Innovation Hub in Akishima City, Tokyo. The hub is the heart of the Group's research and development activities, but also the place where we gather all information, data, knowledge and experience related to water treatment through connections to our various sales, engineering, facility operation management and other business sites. To ensure the hub also functions as a key site for human resources development, we will run programs that help Group employees acquire the necessary know-how and skills to propose and sell solutions tailored to issues faced by customers. In this way, we aim to deploy superior business models for customer sites worldwide.

MVP-22 is just the first step in the Kurita Group's fundamental transformation to lay the foundations for long-term growth. After achieving the plan's objective of building a solid earnings base, we will focus on creating shared value with society so that Kurita becomes indispensable for industry and society as a whole. I hope we can count on your continued support as we push ahead with the transformation of the Kurita Group.



Financial Strategy



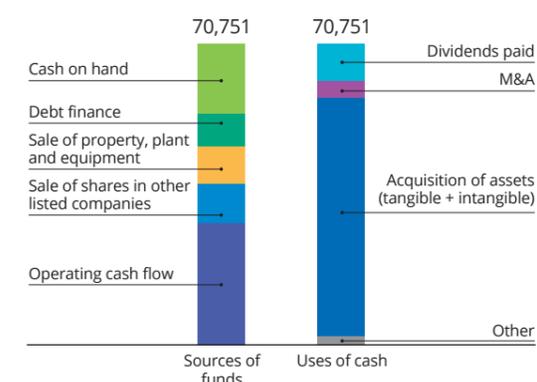
Sources and Uses of Funds

The Kurita Group has targeted funds on asset-owning businesses, such as the ultrapure water supply business, while also investing in growth fields with prospects for high profit margins. Since 2015, we have also actively channeled investment into overseas M&A to dramatically expand the Group's global operations. To meet these funding demands, we use the Group's capital resources, as well as external sources of funding such as bank borrowing and unsecured bonds (1st series issued December 2020, 2nd series issued May 2022, both with five-year maturities). In the fiscal year ended March 31, 2022, we also focused on asset sales, disposing roughly 30% of our shares in other listed companies and ¥17.9 billion in assets, such as the former head office and other property, plant and equipment.

We will continue to use debt financing where necessary, while balancing it with sound finances and capital efficiency. Cash and cash equivalents at the end of the fiscal year under review were at an appropriate level, given the characteristics of the Group's businesses and from the perspective of business continuity.

Actively Investing in Growth and Diversifying Funding

(Fiscal year ended March 31, 2022) (Millions of Yen)



Key Investments

In the fiscal year ended March 31, 2022, we made a number of key investments. The Water Treatment Chemicals business invested in new plants and the expansion and upgrade of existing facilities in China, while the Water Treatment Facilities business invested in the construction and expansion of facilities for the ultrapure water supply business, as well as the construction of new resin and membrane processing facilities as part of our realignment of domestic manufacturing sites. We are also investing in the Kurita Innovation Hub, a new R&D base opened in April 2022. In June 2022, we acquired additional shares in Pentagon Technologies Group, Inc., a precision tool cleaning business in the U.S., making it a consolidated subsidiary.

Improving Capital Efficiency

We believe ROE is the most important indicator of capital efficiency. To increase ROE, we are focusing on improving profitability while also making effective use of assets and utilizing financial leverage.

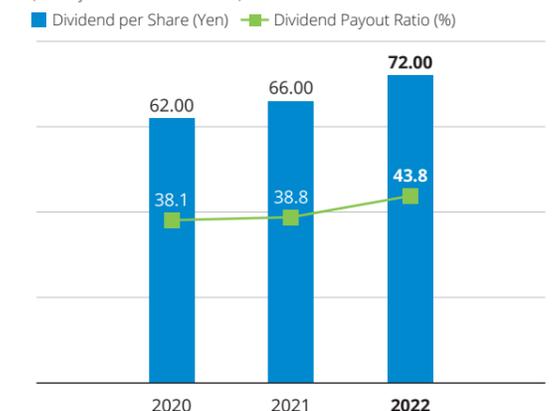
To ensure effective use of assets, we are maintaining and improving capital efficiency by generating funds through the sale of shares in other listed companies and the disposal of property, plant and equipment, and keeping cash and cash equivalents at appropriate levels. With financial leverage, we are working to manage finances efficiently by utilizing debt to invest in highly profitable businesses. Going forward, we will continue to increase capital efficiency by shortening the cash conversion cycle and building a cash management system.

Shareholder Returns

In the fiscal year ended March 31, 2022, we increased dividends paid from capital surplus for the 18th consecutive year, in line with our policy of increasing dividends as much as possible, based on a dividend payout ratio target range of 30-50% over five years. We will continue to prioritize internal reserves for investments in growth businesses, but we will also consider buying back shares if surplus cash increases, taking into account the share-price level.

Dividends per Share and Dividend Payout Ratio

(Fiscal years ended March 31)



Kurita's Value Creation Story

Corporate Philosophy

Study the properties of water, master them, and

we will create an environment in which nature and humanity are in harmony

Corporate Vision

"A Creator of unique value to the solution of water

and environment," contributing to the realization of a sustainable society.

Major Trends Facing the Kurita Group

Damage to Social Infrastructure Caused by Climate Change

Changes in Work Styles and Lifestyles

The Advance of Globalization and Increasing Wealth Inequality

Fresh Water Scarcity and Uneven Water Distribution

Changing Energy Policies

Industrialization and Urbanization of Developing Countries

Advances in Digital Technology and Innovation Acceleration

Heightened Safety Awareness

The Kurita Group's Materiality

1. Provide highly safe services and products
2. Conduct fair business activities
3. Respect human rights
4. Solve issues related to water resources
5. Realize sustainable energy use
6. Reduce waste
7. Advance industrial production technologies

Management Resources

Financial Capital

- Equity attributable to owners of parent
- Interest-bearing debt

Human Capital

- Number of employees
- Expansion of training opportunities

Intellectual Capital

- R&D expenses (investment, personnel, bases)
- Number of patents held
- Synergies generated through cross-Group projects

Manufactured Capital

- Property, plant and equipment
- Global network of bases

Natural Capital

- Water intake
- Energy consumption

Social and Relationship Capital

- Inclusion in ESG Indexes
- Corporate citizenship initiatives, cooperation with external organizations
- Supply chain
- ISO certification

▶ Please see page 8 for more details.



High Profitability and Sustainable Growth

MVP-22 Management Targets (Fiscal year ending March 31, 2023)

- Net sales organic growth rate **3%** or more
- Business profit margin **15%**
- Return on equity (ROE) **10%** or more

- Solving issues related to water resources (water-saving) **240 million m³***
- Realizing sustainable energy use (CO₂ emission reduction) **10,000 t***
- Reducing Waste **450,000 t***

* Amount of the reduction in environmental impact of customers – the amount of the Kurita Group's own environmental impact

▶ Please see pages 9, 20-21 for more details.

The Platform for Value Creation

▶ Please see pages 46-74 for more details.

Corporate Governance

Risk Management

Human Resources Management

Compliance

Respect Human Rights

Medium-Term Management Plan Maximize Value Proposition

2022 (MVP-22) and CSR Policy

Management targets	Priority measures	Initiatives for the fiscal year ended March 31, 2022	Achievements of the fiscal year ended March 31, 2022	
Net sales organic growth rate 3% or more Business profit margin 15% (Fiscal year ended March 31, 2022 11.4%) Return on equity (ROE) 10% or more (Fiscal year ended March 31, 2022 7.0%) Adoption of business segment management using return on invested capital (ROIC) Improved capital efficiency in each business segment	1. Development of CSV Business	Expand earnings with highly unique technologies, products, or services that contribute to the natural environment, industry and people's lives.	<ul style="list-style-type: none"> Continuously review CSV business Build systems to utilize social value created by CSV business in performance evaluation Pursue new value for customers and examine model for provision 	<ul style="list-style-type: none"> Expanded CSV business orders and lineup Started using created social value in performance evaluation Developed business in line with moves by customers to increase corporate value by improving non-financial indicators and with regional and market characteristics
	2. Enhancement of total solutions	Rapidly develop total solutions for customers that make full use of Kurita's technologies, products and services in water treatment chemicals, water treatment facilities and maintenance.	<ul style="list-style-type: none"> Strengthen system for promoting total solutions 	<ul style="list-style-type: none"> Absorbed and merged Kurita Engineering, which operates an engineering cleaning service Transferred part of the Company's operations to domestic sales companies, prepared a system for promoting total solutions
	3. Rebuilding of manufacturing system for water treatment facilities	Rebuild the manufacturing system and processes to dramatically increase quality and speed.	<ul style="list-style-type: none"> Conduct implementation testing of design automation system and digital twin simulator Strengthen supply chain through collaboration with start-up companies Improve quality of functional resin and membrane products and increase operation efficiency 	<ul style="list-style-type: none"> Conducted implementation testing of piping auto-routing, design document management, and plant simulator Promoted DX and strengthened supply chain with a start-up company in skid fabrication Introduced automatic packaging machine and automatic conveyor at Toyoura Plant
	4. Creation of new business and the promotion of innovation	Expand and enhance existing business fields while creating new business fields that will become major new sources of earnings.	<ul style="list-style-type: none"> Create advanced business model combining water treatment technologies and AI technologies 	<ul style="list-style-type: none"> Developed tool for automating and optimizing designs that output optimal equipment composition and configuration for water treatment Started demonstration testing of AI optimal operation technology for water treatment facility at customer site
	5. Strengthening the foundation and promotion of research and development	Build a strong foundation as a technology-oriented company and promote advanced research and development.	<ul style="list-style-type: none"> Strengthen development of solutions using digital technology Enhance CSV business using core technologies Integrate global products and technologies inside the Group and strengthen competitive advantages through coordination between Group engineers in Japan and overseas 	<ul style="list-style-type: none"> Developed diverse simulation and sensing technologies that contribute to increased water treatment design accuracy and to energy- and cost-saving operation of ultrapure water production and wastewater treatment Developed technologies for reducing the volume and resource recycling of industrial wastewater and paper diaper waste Built a global lineup of cooling water treatment polymers
	6. Establishment of the Group governance system	Improve the effectiveness of internal controls in Group companies.	<ul style="list-style-type: none"> Identify issues and promote countermeasures for promoting and implementing the Kurita Group's Basic Policy and Business Policy Ensure effectiveness of internal controls during the spread of the COVID-19 pandemic Ensure the appropriateness and increase the efficiency of management operations at domestic sales companies 	<ul style="list-style-type: none"> Formulated response policies and promoted improvements on issues based on affiliate companies self-evaluation result of internal controls Supported development of effective and efficient internal controls compatible with remote working Established Kurita Corporate Service LLC to centralize administration operations of domestic sales companies

Priority themes	Contribution to the SDGs	Initiatives toward 2030	Metrics	Medium- to long-term targets for the fiscal year ending March 31		The fiscal year ended March 31, 2022		Evaluation*1
				Target year	Target	Result		
Basic themes		Maintain social trust by developing and providing services and products reflecting considerations for safety, health, and the environment.	1) Rate of product safety evaluations for newly developed products	100%	FY2023	100%	100%	Achieved
			2) Rate of front-line employee participation in regular safety training directly related to products and services	100%		100%	100%	Achieved
	2. Conduct fair business activities		Maintain fair and transparent trade based on free competition. Maintain sound relationships with politics and administration.	Rate of participation in compliance-related training among officers and employees	100%	FY2023	100%	100%
3. Respect human rights		Support and respect international norms related to human rights and promote human rights initiatives by following the Guiding Principles on Business and Human Rights established by the United Nations.	1) Rate of training conducted in relation to human rights among officers and employees	100%	FY2023	100%	100%	Achieved
			2) Rate of participation in safety training related to site operations	100%		100%	100%	Achieved
Themes for growth opportunities		Supply water at the optimum quality and quantity by securing as much water as necessary for the life of all people and the development of industry by applying technologies for saving, purifying, and reusing water.	Water savings at customers – Amount of water intake used in our business activities	240 million m ³	FY2023	123 million m ³	113 million m ³	Unlikely to be achieved*5
			Number of people that can benefit from improvement in water resources*2	700 million people	FY2031	—		
5. Realize sustainable energy use		Optimize energy use in living and in industries, and introduce technologies for creating energy throughout society.	CO ₂ emissions reduction at customers – CO ₂ emissions from our business activities*3	10,000 t	FY2023	97,000 t	91,000 t	Likely to be achieved
			Scope 1 and 2 emissions reduction (rate of reduction since fiscal year ended March 31, 2020)*4	27.5%	FY2031	—	11.5%	Likely to be achieved
			Scope 3 emissions reduction (rate of reduction since fiscal year ended March 31, 2020)*4	100%	FY2051	—	—	Likely to be achieved
6. Reduce waste		Introduce technologies for using waste as resources and technologies for controlling the amount of waste in order to achieve zero waste.	Waste reduction at customers – Waste generated from our business activities	450,000 t	FY2023	414,000 t	316,000 t	Likely to be achieved
7. Advance industrial production technologies		Make full use of big data on water to contribute to innovations in production efficiency and product quality in industries.	Proportion of themes falling into "Contribution to improvement of production process" to product development themes	35%	FY2023	38%	28%	Likely to be achieved*6

*1 Evaluations of themes 1, 2 and 3 are based on annual goals and results. Evaluations of themes 4, 5 and 6 are based on annual results relative to medium- and long-term targets. Medium-term target for theme 7 is set based on levels necessary for the Kurita Group to continue providing products, technologies or business models to society that drive improvements in industrial production technology. Consequently, evaluation of theme 7 is based on medium-term targets and results for the fiscal year under review.
*2 Number of people that can benefit from improvement in water availability, water quality, and water accessibility in highly-stressed basins. This target was added from the fiscal year ended March 31, 2022, so single-year targets were set from the fiscal year ending March 31, 2023.

*3 "CO₂ emissions from our business activities" include emissions generated from the ultrapure water supply business, which comes under Category 13 of Scope 3, as well as emissions in Scope 1 and 2 stipulated in the GHG Protocol.
*4 Single-year targets were added from the fiscal year ending March 31, 2023, so only the result for the fiscal year ended March 31, 2022 is shown.
*5 The medium-term target is unlikely to be achieved, as the volume of water savings at customers is lower than assumed at the time the target was set.
*6 The target for the fiscal year ended March 31, 2022 was not achieved, as some development themes were halted due to delays caused by the relocation of a research center at an overseas Group company. However, medium-term targets are likely to be achieved based on results in the fiscal years ended March 31, 2019 through 2022 and targets for the fiscal year ending March 31, 2023.

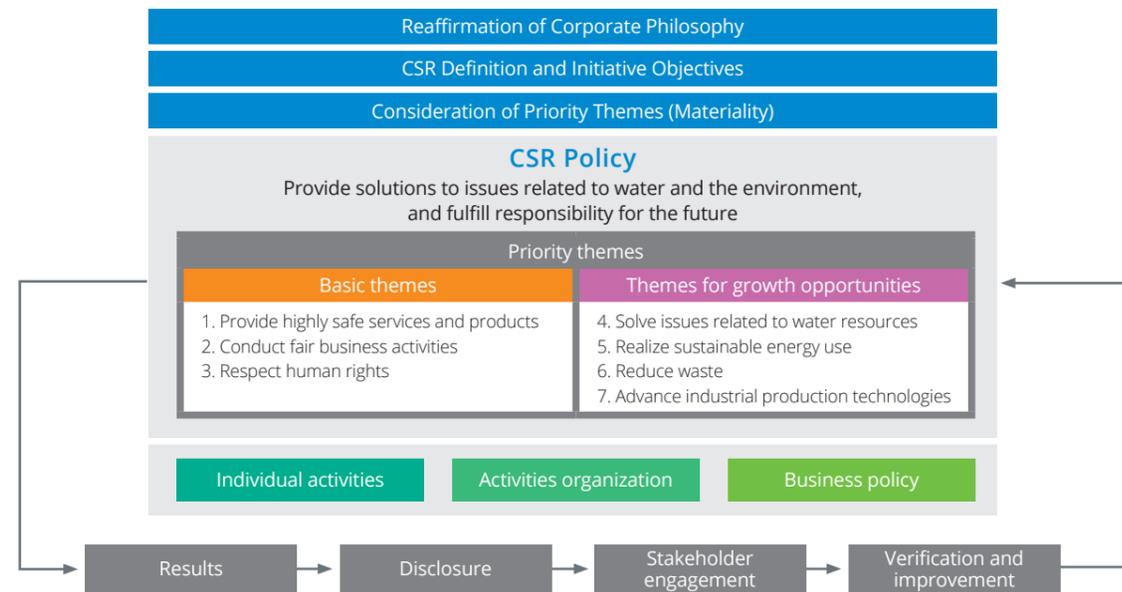
CSR Initiatives

The Kurita Group has positioned CSR at the core of its management strategy in order to realize its corporate philosophy while aiming for sustained growth and is strengthening its CSR initiatives accordingly.

Kurita Group's CSR Framework

Under its MVP-22 medium-term management plan, the Kurita Group is reorganizing the CSR initiatives it has conducted to date, while also strengthening initiatives with CSR at the core of management. The Group has determined that contributing to global efforts like the UN's

Sustainable Development Goals (SDGs) and ESG (Environment, Social and Governance) investment is indispensable to creating business opportunities and enhancing risk response capabilities.



Promotion System

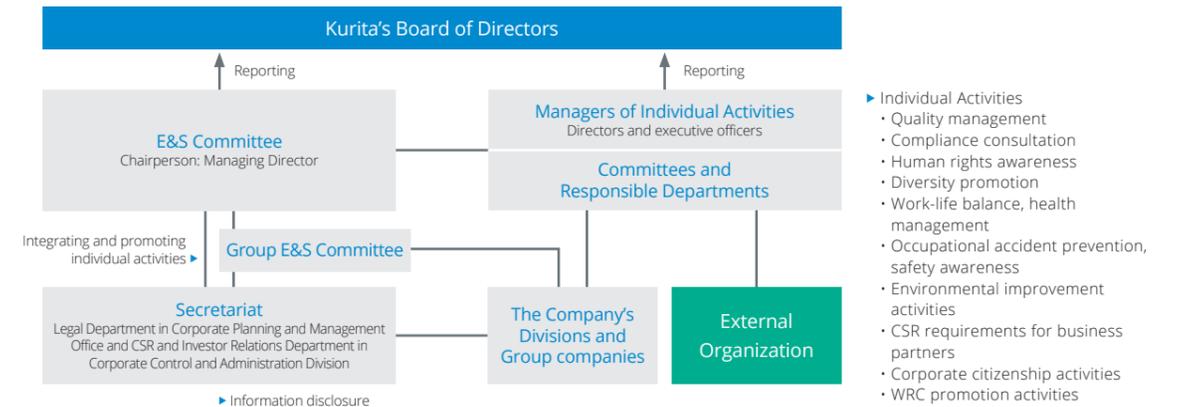
The Kurita Group positions the themes stipulated in its CSR Policy as material issues and engages on a Group-wide basis in individual activities in the areas of 1) corporate governance, 2) product and service liability, 3) fair operating practices, 4) respect for human rights, 5) appropriate labor practices, 6) environmental improvement, and 7)

corporate citizenship. The chairperson of the Environmental & Social (E&S) Committee, who is the Company's Managing Director, is responsible for integrating and promoting these activities, and directors and executive officers are assigned as managers for individual activities.

E&S Committee

The E&S Committee oversees the Kurita Group's CSR initiatives and works to increase the Group's competitive advantage by further enhancing business competition capabilities and risk response capabilities. Specifically, the committee sets the activity targets and key

performance indicators for each of the themes in the CSR Policy as the CSR medium-term plan, then confirms progress on the targets while identifying issues and making improvements. At the same time, the committee confirms stakeholders' expectations of the Kurita Group and their issues, and verifies the Group's CSR initiatives.



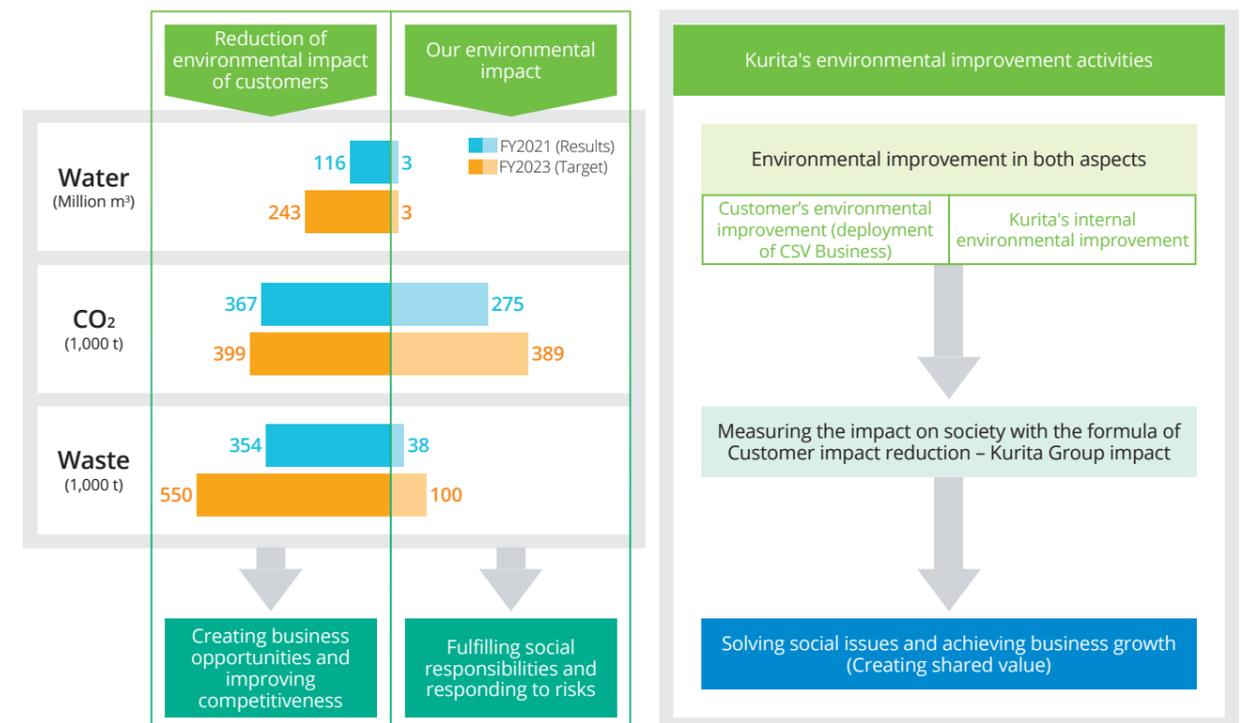
Initiatives Utilizing Business Characteristics

Kurita Group KPI: Customer impact reduction – Kurita Group impact

The Kurita Group collects and discloses data on the environmental impact of its business activities in line with two international standards – the GHG Protocol, TCFD, the GRI Standards, and the SASB Standards. Based on that data, the Group sets reduction targets and works to reduce its environmental impact. Due to the lack of international standards that can measure reduction in

environmental impact at customers through our business activities, which is one of the features of the Kurita Group, we have devised a proprietary KPI to show the Group's value creation: Customer impact reduction – Kurita Group impact, and we are compiling data for actual reduction and impact.

Kurita Group KPI
https://www.kurita.co.jp/english/csr/csr_activity_growth/environmental_policy/index.html

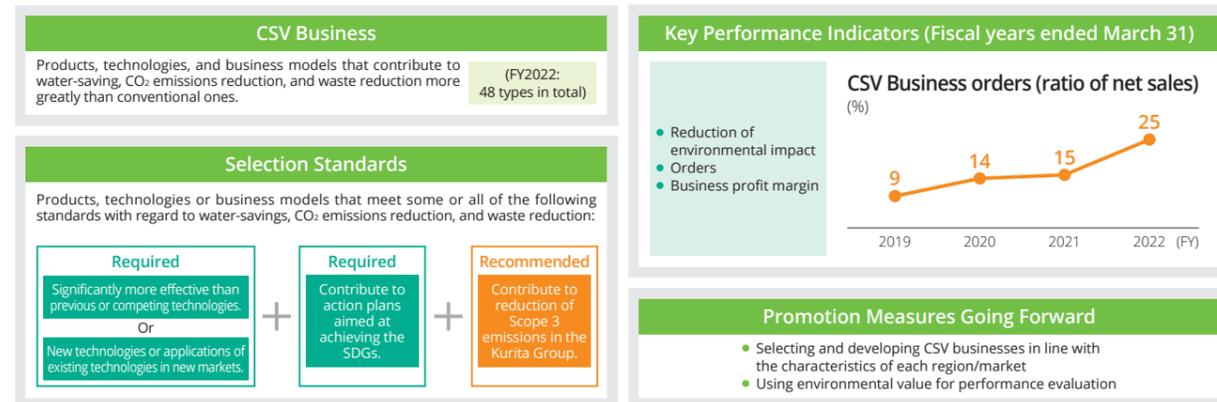


CSR Initiatives

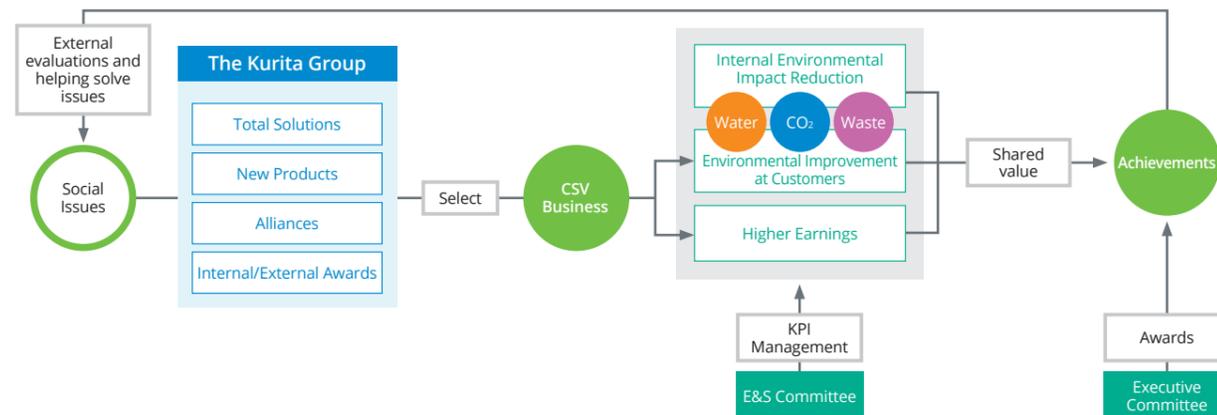
Promotion of CSV Business

The Kurita Group has defined products, technologies, or business models that contribute significantly to increased water-savings, CO₂ emissions reduction, and waste reduction compared to previous levels as the "CSV business." Through their creation and provision to customers, we will promote the creation of shared value with society. Furthermore, development of CSV Business is one of the priority

measures of the MVP-22 plan, and we have established key performance indicators for this, engaging in initiatives linked with the plan. Various measures are conducted to promote the CSV business, including development from the standpoint of social issues and establishment of an awards program.



System for Promotion of CSV Business

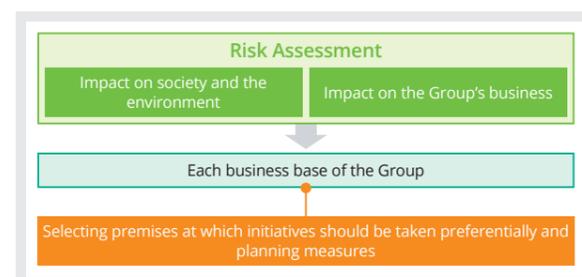


Internal Environmental Improvement Activities

The Kurita Group works to reduce water usage, energy usage and waste, while adhering to the environmental laws and ordinances of each country and region that apply to the Group's business activities. These activities, including the Group's own assessments related to compliance with environmental rules and regulations, are implemented to achieve targets related to CSR Policy, based on the Kurita Group Environmental Policy.

Evaluation of Water Risk at Internal Facilities

The Kurita Group assesses and ascertains water risk for Group facilities using the Aqueduct Water Risk Atlas and benchmarks for water intake provided by the World Resources Institute, business characteristics and other criteria. As of July 2022, our assessments

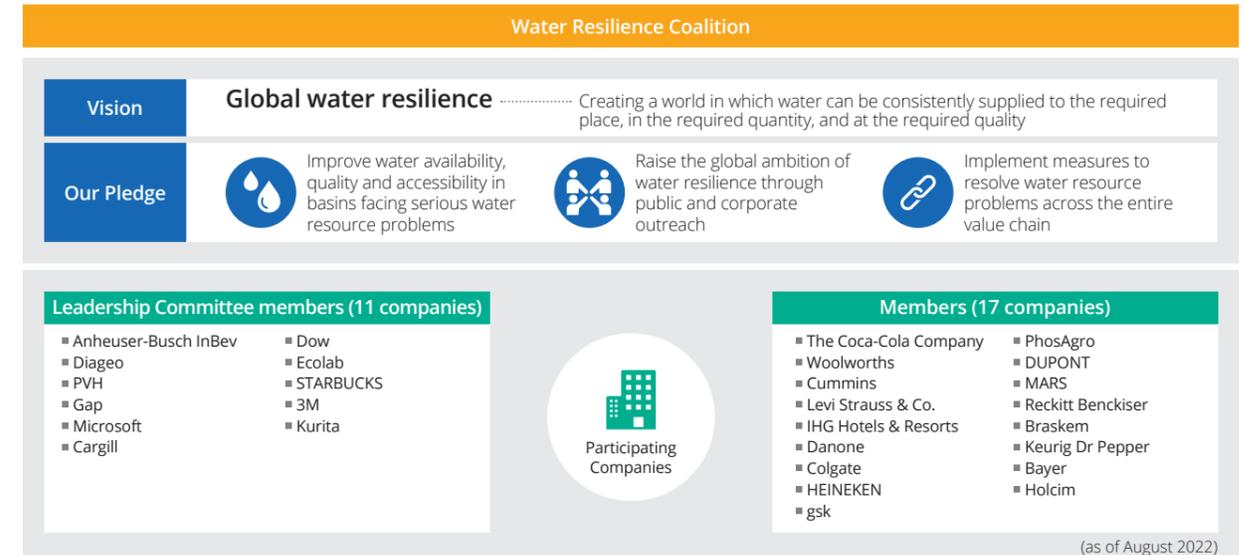


had identified nine facilities with particularly high risk. Based on that, we are prioritizing efforts to reduce water risk at those facilities.

Solving Water Resource Issues Through Initiatives by the Water Resilience Coalition

Kurita is a Leadership Committee member of the Water Resilience Coalition (WRC), established in 2020 to lead industry efforts to achieve global water resilience. As an initiative under the United Nations Global Compact (UNGC), WRC is implementing a range of initiatives to attain medium- and long-term quantitative targets related to water resources.

The Kurita Group will leverage technological strengths cultivated through its global water treatment operations to help achieve the targets, while also launching activities in water-stressed basins where it currently has no experience in order to gain new "water knowledge" to support the Group's sustained growth.



Launched campaign for water conservation in Colorado river basin "Impact together -Colorado River Basin Project-" https://www.kurita.co.jp/english/site/groupnews_220824.html

External Evaluation (as of July 2022)

Inclusion in ESG Indexes



Evaluation by ESG Rating Organization



Evaluation by Supplier Evaluation Organization



*The inclusion of Kurita Water Industries Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Kurita Water Industries Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Digital Strategy Division



Opportunities and Risks

- Opportunities**
 - Rising needs from customers for solutions to reduce CO₂ emissions, water usage and waste, driving growth in social value field
 - Increased opportunities for companies to collaborate on tackling social issues
 - More opportunities to boost operational efficiency and offer new value to customers through wider adoption of online communication
- Risks**
 - Decrease in competitiveness due to poor quality and use of information / data collected and owned by Kurita
 - Security risks that damage data / information assets, reputation, and curtail opportunities to collaborate with customers and other companies
 - Decline in employee engagement and management skills due to failure to adapt to online communication

Makoto Mizuno
Executive General Manager of Digital Strategy Division

Business Environment and Initiatives

Kurita has achieved continued growth since it was founded by developing its business in the water and environmental fields. While the increased focus on sustainability in recent years is a tailwind for the Kurita Group due to its focus on tackling issues faced by society, there is no guarantee our current business model will still be viable ten years down the track. We need to take proactive action now on transforming our business models and business processes, because by the time we realize our approaches are outdated, it will be too late. Digital transformation (DX) is an effective tool for driving change in our business. To flexibly and rapidly deliver solutions that create value for society and customers across the Group's value chain, the Digital Strategy Division is leveraging data, information assets and technologies to transform the Group's business models and processes.

One example of how we are transforming business models and creating data-driven businesses is the Meta-Aqua Project, a collaborative initiative launched in January 2020 with Fracta Leap Inc. that is combining water treatment and AI technologies to create an innovative new business model. In the fiscal year ended March 31, 2022, we developed a design automation and optimization tool that generates outputs for optimal equipment

configuration, layouts, and engineering work for water treatment facilities. We also started testing AI-driven water treatment facility optimization technology at customer sites.

In business process reforms, we overhauled management processes to pivot the entire value chain towards the customer, while also working to foster greater digital literacy across the Group by securing and training human resources with expertise in digital technology, clarifying the necessary skills and qualifications for DX, and providing relevant training content. We also made progress with rebuilding core information systems, such as starting the full operation of a new customer relationship management (CRM) system that integrates information and data (customer contact data) needed to support management reforms. This system and related processes were rebuilt so that data gathered from sales activities, such as type of activity, timing and target customer, can also be organized and analyzed for use in management processes and for feedback to sales teams, helping to improve the Group's competitiveness. This gives us a deeper understanding of our customers, allowing us to maintain positive, long-term relationships with them by identifying potential issues.

Issues to Address

We need to tackle three key issues to speed up the transformation of business models and processes using DX.

First, we have to reinforce the Group's core information system. The more data and information we have, the more effectively we can implement DX. That means, first and foremost, the system should be easy to use to help the Group capture more information. The system also needs to be clearly geared to gathering data and information from customer contact points. Before collecting the information, every internal stakeholder in our value chain has to have shared understanding of how we plan to use the information.

Second, we need to reinforce information security. Cyber-attacks are increasing and becoming more varied in their approach. While digitization is making life more convenient, it also exposes us to

greater risk. A serious security incident not only poses the risk of damage to data and information assets, business disruption, and ransom demands, but it also undermines trust in the Kurita name, which could prevent us from providing digital services to customers and taking part in joint projects with external partners, leading to the loss of numerous business opportunities.

Third, we need to secure human resources with expertise in digital technology. The main bottleneck in Kurita's DX is people. To accelerate DX without being constrained by our existing approaches and culture, we have to change the mindset of employees, but also attract new people and actively draw on expertise from outside the Group. To make this work, we need to be open enough to accept these new people and new ways of doing things.

Future Initiatives

To further strengthen the Group's core information system, we are defining what is valuable in our data and information assets, and setting up mechanisms to ensure appropriate record-keeping and use of these assets. At the same time, we will develop, operate and embed a new system in the Group's operations to manage consolidated earnings, while also leveraging customer data, to speed up the transformation of business models and processes and boost our competitiveness. We will then define and experiment with what data and information collected from customer contact points will be of common value to all development, production, solutions, marketing, and sales teams. In this way, we aim to establish business processes that maximize the value we provide to customers by linking each function in our value chain. With the Meta-Aqua Project, we plan to add more functionality to existing IoT-driven facility operations. We aim to convert water quality data and design document data into accessible information and develop dedicated data infrastructure, helping to speed up plant design and optimize and automate facility management.

Information security is fundamental to the digitization process. It is also a key benchmark for Kurita's capabilities in the modern era. For that reason alone, information security has to be something we do diligently and carefully as a matter of course. To rigorously

enforce the Kurita Group Information System Management Policy and prevent data from customers and other parties from being leaked or accessed without authorization, the Group has installed security software and monitors IT equipment and usage as part of strict security measures. We also run information security training for personnel across the Kurita Group.

In terms of recruiting digital specialists, we are actively targeting people who have external expertise in cybersecurity. We have started training and hiring people with skills in digital technology from within the ranks of our workforce, but we are also collaborating with other companies – including those outside the Group – forming alliances with startups, hiring experienced personnel, and actively promoting our digital initiatives outside the Group.

DX means continuous change, backed by the necessary business processes, IT systems and other mechanisms to support that change. There is bound to be a conflict of ideas and opinions when change is being pushed through, particularly when business processes are being transformed. Stress arising from change, or being changed, is a side-effect of growth. To mitigate these side-effects, we will continue to drive change while ensuring our objectives are clear, reforms are implemented fairly across all areas of the organization and feedback is taken on board.

Digital Strategy Division DX Initiatives

Building mechanisms to create diverse solutions derived from our “water knowledge”

We are driving DX to create business models that improve customer intimacy and to reform business processes. Our aim is to improve the Group's ability to respond to change in the operating environment.

Previously, enterprise resource planning (ERP) was our core system for storing information and data, but ERP is designed to manage business resources solely from the Group's perspective. However, to improve customer intimacy, we have to more actively utilize data and information collected from customer sites in our business. To move away from our company-centric approach to information and data management to one that deepens our understanding of customers, we have added customer relationship management (CRM) and an IoT data platform as core systems.

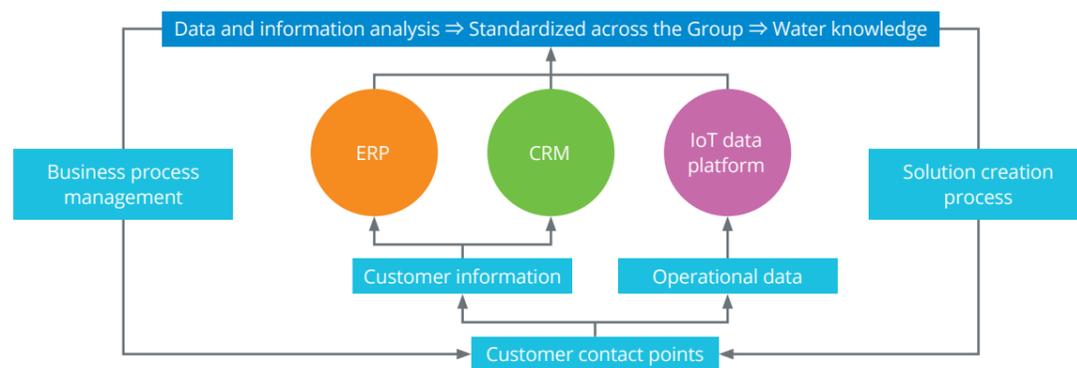
Data and information gathered from these three core systems will be utilized to create new solutions and manage business processes, and fed back to customer contact points.

Customer information can be divided into two main categories – financial information, such as data on transactions with customers stored in the ERP system, and information that deepens our understanding of customers. This includes basic information about the company, such as size, what it manufactures, and what

key initiatives it is implementing at business sites (plants). This information is now being stored in a centralized way in the CRM system, rather than by individual sales personnel or dispersed across different internal systems. In this way, organizing information gleaned from customer contact points across a wide range of business processes will allow us to improve the quality and speed of coordinated efforts by the Group to develop solutions for customers.

Meanwhile, we continue to develop the Group's IoT data platform to collect and utilize online and offline operational data from water treatment facilities that solve issues faced by customers and provide new value.

Based on analysis of data and information gleaned from these three core systems, we will provide advice to customers and optimize business processes and solution development processes. This will help us deepen understanding of customers, continuously create new business models, and support the ongoing transformation of business processes. Our ultimate goal is to establish a cycle where customer feedback about new solutions is stored in core systems to further improve the quality of our solutions.



Transforming Sales Processes

In business process management, we used the CRM system to establish a mechanism to record and store customer feedback and information about progress with activities at customer sites, and to share this information with internal stakeholders. This information is shared not only with sales teams that deal directly

with customers, but also with teams responsible for developing new solutions based on customer feedback and market trends, and with back-office organizations that support everyday sales activities. Our goal is continually optimize all the Group's business processes from the customer's perspective.

Meta-Aqua Project

We continue to implement the Meta-Aqua Project as one of our solution creation processes. With the project, we aim to dramatically improve productivity in the Water Treatment Facilities business by leveraging AI and IoT in solutions development. Specifically, we are (1) automating and accelerating facility design and engineering planning processes, (2) optimizing facility management and control, and (3) developing solutions that use IoT and other technologies to capture data.

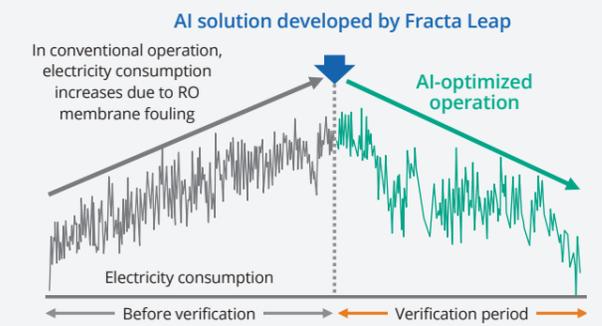
In facility design, we have faced a long-running issue of how to transfer the skills and know-how of experienced designers to the next generation of designers, and to designers based overseas. This poses risks for business continuity and is an obstacle to securing new design personnel during periods of business expansion. We are trying to eliminate this bottleneck by using AI algorithms to rapidly and automatically create and generate design blueprints of water treatment facilities, which designers and customers can then evaluate and modify.

In facility management, we are combining AI and other digital technologies with our existing portfolio of equipment and facility operation technologies, accumulated over many years. Examples include solutions that significantly reduce facility operating costs and power consumption through AI-driven optimized control. We are now in the process of expanding the application of these

solutions from RO membrane equipment to other water treatment equipment.

With this approach, we are creating new solutions by giving form to the latent technical information possessed by individuals, integrating various technical information, and gathering data from multiple five-sense sensors for use in AI analysis and so forth.

AI-optimized Facility Operation Reduces Electricity Consumption



Training Digital Specialists

Digital technologies and IT offer great potential for companies, but the world is facing a severe shortage of IT professionals. Kurita is no exception. All our business segments have shortages of personnel with the skills to solve customer issues and develop new solutions using data collected and accumulated from various contact points in the field. This is leading to bottlenecks in the execution of projects that utilize digital technologies such as AI and IoT. To address these issues, we are putting considerable effort into training human resources with expertise in digital technologies – so-called digital specialists – to drive the Group's DX.

We believe an effective training strategy is for employees who already use a problem-solving approach in their daily work (people with clear ideas about what issues need to be solved) to acquire basic digital skills and learn how to use them to realize DX by tackling issues in their own area of responsibility. We are therefore rolling out digital skills training for all our employees.

Digital Specialists Development Flow

Target group	Objective	Initiatives
Newly hired graduates	Train to become “digital natives”	<ul style="list-style-type: none"> Acquire basic knowledge of digital technology Learn how to develop systems
All employees	Acquire basic knowledge to eliminate obstacles to DX	<ul style="list-style-type: none"> Basic DX course Learn basic skills in digital tools Acquire core knowledge for data utilization Exhaustive training in digital governance
Digital specialists candidates	Acquire minimum practical methods to realize DX	<ul style="list-style-type: none"> Data management course Data science course
Existing digital specialists	Generate outputs using learned methods	<ul style="list-style-type: none"> Define themes related to actual work duties; hands-on training to apply concepts to real-world situations, supported by experts

Innovation Division



Opportunities and Risks

- Opportunities**
 - Growth in Group's CSV business spurred by rising awareness of carbon neutrality and other sustainability issues
 - Creation of new business models as advances and wider use of digital technology in BCP, labor-saving / automation applications put greater value on safety and reliability
- Risks**
 - Slow response to customer needs due to delays in information sharing in value chain and preference for in-house approach
 - Decline in development capabilities due to delays in training and utilizing researchers and developers focused on human resources diversity
 - Infringement of IP rights leading to reputational damage and obstacles to strategic IP use, undermining competitiveness

Yoshio Yamada
Executive General Manager, Innovation Division

Issues to Address

Society has undergone very rapid change in the last few years, and Kurita could lose competitiveness if it fails to quickly identify emerging needs, create solutions for those needs, and provide more value. Previously, the Group's R&D, marketing and intellectual property departments implemented their own initiatives, but all the various functions in our value chain now need to work together more dynamically to keep up with the pace of change in society. Sales and marketing, technology and R&D, production, management and other organizations will have to collaborate more quickly than before, not just in Japan, but globally as well.

At the same time, we have to make better use of internal and external networks and the Group's "water knowledge." Our preference for doing things in-house has sometimes slowed down our ability to respond to customer needs. However, we have to accelerate open innovation to collaborate with customers, companies in other industries, startups, and private and public research bodies, including universities, and step up cooperation with overseas R&D sites and integrate technologies from Group companies.

One step we have taken to address these challenges is the creation of the Innovation Division in April 2022. We also opened the Kurita Innovation Hub as a new R&D base to bring together the wide-ranging expertise of customers, research partners and other stakeholders in Japan and overseas to accelerate the development of innovative technologies that solve issues faced by society and industry.



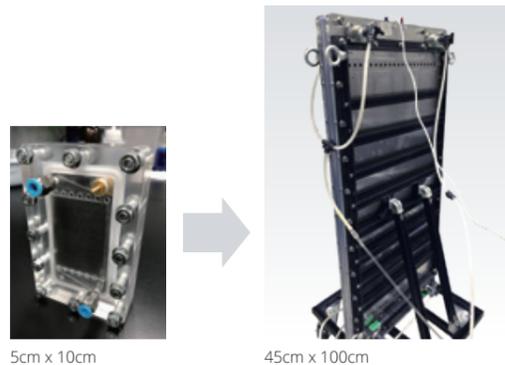
Business Environment and Initiatives

Societies and industries worldwide are under growing pressure to tackle climate change, protect biodiversity and reduce waste. The Kurita Group has broadened the focus of business creation from customers to society and stepped up efforts to transform its business by referencing social issues. In particular, transitioning to carbon neutrality and creating a circular economy are urgent challenges that need to be tackled head-on by the whole Group.

In R&D, we have been upgrading existing technology that produces biogas from wastewater and general waste. We are also utilizing open innovation to develop next-generation energy technologies such as microbial fuel cells that generate electricity directly from wastewater, as well as water treatment technology needed for the production and use of ammonia and hydrogen, two promising next-generation fuels.

In business model creation, we have developed horizontally deployable models that help to solve social issues and lift productivity, such as recycled water supply services and wastewater treatment solutions that combine chemicals and sensing technology. We have also worked to enhance the Group's competitiveness by building a patent network that covers both elemental technologies and business models, clearly identifying the sources of the Group's competitiveness from the model development stage and earmarking them for patent protection.

For issues that our customers are addressing on a company-wide basis, such as carbon neutrality and the circular economy, we aim to become their reliable, long-term partner by building relationships that cover all parts of their business, from frontline operations to the management level, and even encompassing business strategy.



Microbial Fuel Cell Wastewater Treatment System

We are working on a project to treat wastewater using microbial fuel cells. In January 2022, we succeeded in scaling up the system's microbial power generation cells and we aim to achieve almost zero CO₂ emissions within a few years.

Future Initiatives

The Innovation Division integrates the functions of previously separate marketing and R&D organizations with the goal of creating innovative technologies from a medium- to long-term perspective, referencing social issues, customer trends and marketing strategies. We will implement the following initiatives to achieve this objective.

First, we will leverage technologies to create businesses that generate value for customers and society as a whole. Our teams are now organized along technology and function lines, rather than by the type of product being developed (chemicals and facilities). Under this new structure, we are pursuing the development of technologies that help to solve social issues, such as hydrogen and ammonia as alternatives to fossil fuels, renewable energy, and direct air capture (DAC) technology that captures CO₂ directly from the atmosphere.

Second, we are focusing on developing innovative technologies that tackle two particularly important issues – carbon neutrality and the circular economy. We have set up a specialized team to work with customers, partner companies and research institutions to intensively tackle these themes. One example of our efforts in this area is a resources recycling system that efficiently separates and collects plastics contained in used disposable diapers, currently a challenging product to recycle. Our aim is to reuse materials and reduce emissions of CO₂.

Third, we will reinforce the Group's marketing functions. To formulate marketing strategies that help create social value and

enhance value for customers over the medium and long term, we will improve the Group's ability to rapidly identify and understand emerging needs in the market by analyzing intellectual property (IP) data, together with conventional methods such as macroeconomic analysis and customer intimacy surveys. In addition to implementing defensive IP activities such as protecting and utilizing our IP, we will step up offensive activities that have a more direct impact on driving forward our business, such as using IP landscaping, which will support marketing activities that lead to change in our management and business strategies.

To implement these initiatives, we need a place where the Kurita Group can connect with customers and research institutions in Japan and overseas, and with society in general, to bring together diverse expertise. This is where the Kurita Innovation Hub is set to play a key role. In addition to its position as the Group's flagship R&D base, the Kurita Innovation Hub has many other functions – operating as a connected laboratory that links knowledge and expertise from across the Group including an overseas R&D base, promoting open innovation, communicating Kurita's technological capabilities inside and outside the Group, creating opportunities for interaction with customers and society, and delivering education, training and technical programs with an emphasis on diversity. By maximizing these capabilities, we will use the hub to create value that solves issues faced by industry and society.

Innovation Division R&D Activities

Targeting challenges that can impact our entire planet, the Kurita Group is identifying potential issues at customers and developing a range of products and technologies that spur innovation to solve problems faced by society. The Kurita Group has built a global business base, and this is also making our development activities more international. Led by the Kurita Innovation Hub, our new R&D

base in Japan, we plan to further enhance collaboration by sharing our water knowledge with overseas Group companies. These efforts are reinforcing our range of products and technologies that can address global issues, while also enhancing products that meet local needs through our development bases in Japan, Germany, Singapore, and North America.

Achievements in the Fiscal Year Ended March 31, 2022

R&D staff	Approx. 170
R&D expenses	Approx. ¥5.4 billion (1.9% of net sales)

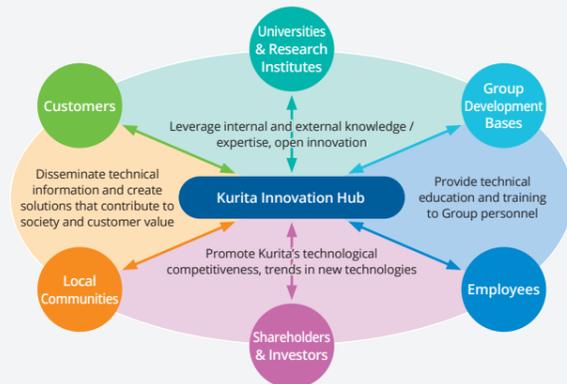
Research Category	Main Results
Water Treatment Chemicals	<ul style="list-style-type: none"> To achieve stable and energy-efficient operation of membrane-based water treatment systems, we expanded our lineup of high-performance cleaning agents that can treat various types of membrane fouling without the need for phosphorous-based additives. We also developed a multifunctional water treatment agent that is effective against mixed fouling caused by inorganic and microorganism-derived organic matter. We developed a steel raw material yard monitoring system for steel plants to limit stoppages on raw material conveying lines and to prevent higher fuel usage due to increased moisture in raw materials caused by rainfall during storage. The system consists of moisture content detection technology for raw material stockpiles, an algorithm to predict moisture fluctuations in raw materials, and a highly impermeable dust suppressant that prevents moisture from increasing due to rainfall. We improved proprietary sensing technology for optimizing the automated operation of sludge dewatering systems in wastewater treatment processes and developed a new dewatering treatment support system compatible with various sludge characteristics and dewatering equipment.
Water Treatment Facilities	<ul style="list-style-type: none"> We developed a high-density wastewater concentration system that accumulates tin and nickel from metal plating wastewater discharged from metallic processing, electronic component manufacturing and other processes. The system helps to reduce industrial waste disposal costs and recover valuable resources, as metal plating wastewater has typically been treated as industrial waste. To establish recycling technology for the increasing volume of used diapers, we developed processing equipment that is compatible with various types of recycling methods. The equipment breaks down, crushes and sterilizes collected used diapers, and dehydrates and separates the resulting material into waste plastic, pulp and superabsorbent polymers. To reduce waste from semiconductor facilities, we developed technology to precisely separate and recycle high-performance ion-exchange resin used to produce ultrapure water for wafer cleaning in customers' manufacturing processes. We also created technology to evaluate the performance of the recycled resins.

New R&D Base to Accelerate Innovation

In April 2022, we opened the Kurita Innovation Hub, the Group's new R&D base, in Akishima City, Tokyo. The base is tasked with driving innovation that solves issues faced by industry and society by bringing together various knowledge and expertise from stakeholders such as customers and research institutions in Japan and overseas. Using the base as a hub for technological innovation and social change, we aim to spur innovation through interaction and collaboration between a broad range of stakeholders.

Overseas, we opened the Kurita Europe Technology Center in Viersen, Germany in September 2021. It houses state-of-the-art R&D facilities, a training center for employees, and a visitor center to showcase our research to customers and business partners. Along with Kurita R&D Asia Pte. Ltd. in Singapore, these development sites are working together on R&D activities that

harness the full potential of the Group's technological assets and human resources, including sharing research staff and promoting joint development projects.



Utilizing Intellectual Property

To grow its business and improve profitability by maximizing intellectual property (IP) resources, the Kurita Group has formulated a basic policy for IP activities to promote the appropriate acquisition, protection and use of IP, and to respect the IP rights of other companies. In addition to our existing aim of "maintaining and

improving competitiveness by building a global patent network based on the strategic importance of each business," we are overhauling the Group's IP activities to better support management strategy by "analyzing IP information to help create new markets and businesses."

IP Strategy in Line With Management Strategy

The Kurita Group broadly categorizes its IP activities into "defensive IP" and "offensive IP," and has established the following goals and strategies.

	Defensive IP	Offensive IP
Objectives	<ul style="list-style-type: none"> Maximize the use of IP acquired by the Group and protect IP to improve profitability Strategically apply for patents to protect R&D outcomes and to maintain competitive advantages in existing businesses 	<ul style="list-style-type: none"> Analyze patents to identify market and customer issues and needs, and to recommend which technologies to acquire and markets/customer categories to target Strategically protect IP and use it to increase value provided by the Group
Strategies	<ul style="list-style-type: none"> Centralize management of the Group's IP and build a global patent application network that takes into account the strategic importance of each business and the value of technologies Develop and execute patent strategies tailored to the business model of each business, including CSV businesses 	<ul style="list-style-type: none"> Identify signs of future market issues and needs in patent information, and share results of the analysis with the Marketing Division and regional managers to support business creation and technology development (value creation) and business deployment (value provision) from a global perspective

Overhauling the IP Strategy Promotion Framework

In April 2022, we created a framework to utilize IP in management and business strategies by bringing the Intellectual Property Department under the control of the Innovation Marketing (IM) Group. In the past, we created patent maps and analyzed the technological trends and strengths and weaknesses of Kurita and its competitors, but this information was not used effectively to support business creation or marketing. Under this new framework, we have started using IP landscaping activities to overhaul strategy planning by matching IP and marketing.

Specifically, we aim to anticipate market trends by understanding the issues and needs of customers, business partners, and competitors using information from patents, and to improve the accuracy of scenario and growth story forecasting for medium- and long-term strategy planning by combining IP and non-IP information. We are also stepping up patent analysis to help target development themes, such as exploring nascent technologies for carbon neutrality and the circular economy. To support this expansion of analytical work, we plan to reinforce the analytical capabilities of the Intellectual Property Department and overhaul its organization.

Kurita's Mechanisms for Utilizing IP Landscaping



Engineering Division



Opportunities and Risks

- Opportunities**
 - Growth in electronics industry market spurred by rapid digitization of society
 - Rising need for water treatment automation and outsourcing due to labor shortages
 - Accelerating conversion of Group's know-how and data to explicit knowledge through digital technology
- Risks**
 - Increase in new market entrants and productivity gains at competitors due to advances in AI and use of digital technology
 - Rising material and component costs and logistics disruptions caused by the pandemic, geopolitical risks and changes in social structures
 - Lost business opportunities due to inability to respond to strong capex in the electronics industry

Katsuya Amano
Executive General Manager, Engineering Division

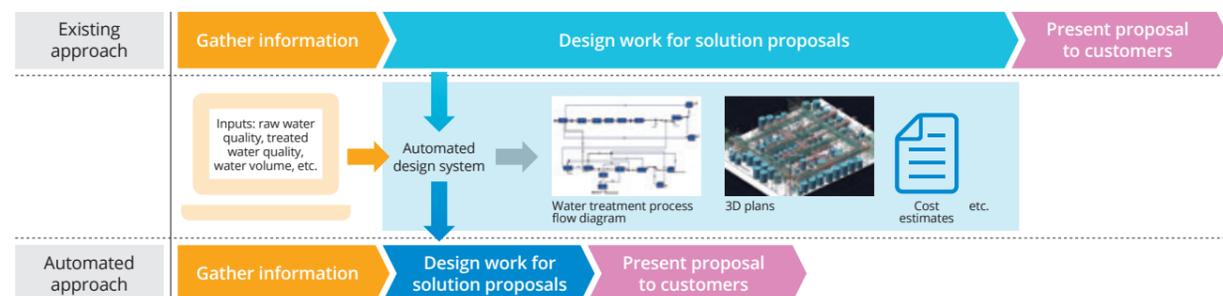
Business Environment and Initiatives

The Kurita Group has customer contacts in many industries, which all face a unique set of business challenges. In the electronics industry, where capital investment and capacity utilization are both at high levels, customers need to rapidly start up new plants and move to stable operations as quickly as possible. We are also seeing strong demand from cost-sensitive customers who need to improve the efficiency of plant operations. Meanwhile, customers aiming to increase corporate value by creating social value want to improve the environmental impact of their water treatment and production processes.

The Engineering Division has been working to transform the Group's engineering activities in a number of ways to support the delivery of high-quality solutions that address these diverse customer needs in a rapid, low-cost manner. One example is how we are working with Fracta Leap Inc. to automate the facility design process. Building on progress so far with the development of

automation technologies for equipment configuration, layouts and other specific elements of facility design, we began applying automated design on a test basis in actual projects from the fiscal year ended March 31, 2022. We also reinforced our domestic procurement network through collaboration with external partners. Another step we took was the creation of a Global Supply Team. This team is utilizing the Group's networks to optimize procurement and manufacturing, sharing know-how to reduce costs, and improving the Group's ability to respond to geopolitical risks in logistics. The team is tasked with implementing ongoing cost-saving measures, but more recently it has been working to mitigate the impacts of supply-chain disruptions and soaring raw material prices. To lift quality levels, we have introduced a new model to anticipate and prevent recurrence of non-compliant engineering work by drawing on a knowledge base of previous cases. This is helping us to limit revisions to design and engineering work and curb cost overruns.

Using Automation to Improve Efficiency in Design Processes



Issues to Address

Looking at the medium- and long-term horizon, we see three key business opportunities for the Kurita Group – high capital investment levels in the electronics industry, water treatment that effectively tackles social issues, and growing needs for outsourced operation of water treatment facilities. However, without sufficient production capacity to meet these demands, Kurita may not be able to tap into these opportunities, while also potentially losing competitiveness as other companies gain ground in the market. In fact, we have already had to turn down some projects due to lack of resources to meet high levels of capex-led demand in the electronics industry. One of our strengths is our integrated in-house value chain covering all phases of the engineering process, from design, production and procurement to quality control and safety management. In addition to leveraging this capability, we will expand collaboration with external partners to increase production capacity and capture all available business opportunities.

Meanwhile, we face a number of emerging issues in procurement. We are still struggling to secure materials and components, reflecting supply chain disruption caused by lockdowns during the pandemic and by the deterioration of the situation in Ukraine, as well as factors that have pushed up the cost of various raw materials and parts, such as rising demand for the Group's key parts driven by new applications amid changes in social structures, shortages of some materials due to extreme weather conditions, and exchange rate fluctuations. These conditions look likely to last for some time, and are increasing in impact and scope. In response, we are placing early orders to secure inventories, switching to alternative materials and parts, and actively sharing information through our Global Supply Team network. However, with conditions potentially set to deteriorate, we need to formulate accurate forecasts as soon as possible.

Future Initiatives

To solve the above issues, the Engineering Division will build stronger systems to support the Group's efforts to increase value for customers. In other words, we will help provide high-quality products safely and rapidly to customers who can see value in the Group's solutions.

First, we aim to transform internal systems to make them more efficient and improve value creation. Until now, our approach has been to enhance cooperation between different functions such as design, procurement, quality, safety, and engineering, and between Group companies. Going forward, we will implement initiatives that target the entire value chain. Specifically, we plan to expand the scope of collaboration to include automation at partner companies, aiming to optimize all aspects of the engineering value chain from design and procurement to onsite engineering work in order to speed up engineering processes and maximize value for customers.

Also, to increase production capacity, we have to communicate smoothly and efficiently with engineering partners. One way we are doing this is by making greater use of 3D CAD software, which improves design blueprint accuracy. We have already started using 3D CAD for certain projects and we plan to roll it out across our operations to increase design accuracy.

To address increasingly challenging issues in procurement, we aim to stabilize procurement through better forecasting. We will

formulate forecasts for engineering work and components based on orders already received by the Engineering Division, and develop mechanisms to create more accurate forecasts for pending projects not yet ordered (the upstream part of our business) to speed up negotiations with partner companies and materials suppliers.

We will also continue to enhance quality and safety management. We are lifting quality standards and minimizing cost overruns by introducing a model that anticipates and prevents any recurrence of non-compliant engineering work. From 2022, we expanded the scope of this model to include safety. Efforts are underway to structure and utilize knowledge from actual safety incidents, with operation of this new safety system starting in July this year. Our activities to increase safety and quality are relentless, and ongoing improvements will reduce the number of workplace accidents.

In addition to driving efficiency gains using automation and external resources, we also need to train people who can transform our engineering activities and propose solutions from the standpoint of customers. We will do this in two main ways – enhance existing HR Tech* to cultivate human resources with diverse backgrounds and skills, and establish an organizational culture that allows employees to generate customer-oriented value by effectively using time freed up from operational efficiency gains.

* Use of advanced IT such as big data analysis, artificial intelligence, and cloud computing in various human resources activities, including recruitment, training, and deployment.

Engineering Division Quality and Safety initiatives

Basic Concept

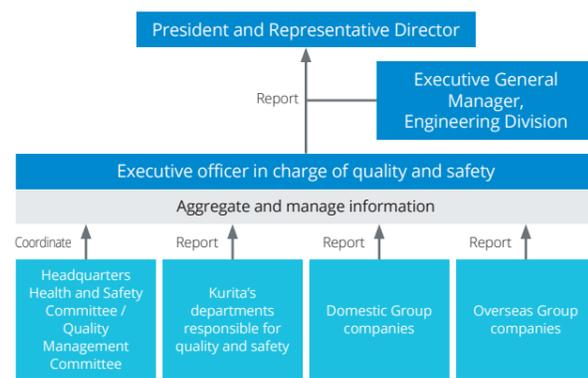
The Kurita Group's initiatives to improve quality and ensure safety at manufacturing and construction sites not only help us retain the trust of customers and society, but they also underpin all the Group's engineering processes. That's why we have formulated the

Kurita Group Product Quality Policy and the Kurita Group Occupational Health and Safety Policy and are working to embed them across the Group.

Promotion Framework

Led by the executive officer responsible for quality and safety, the Kurita Group is rolling out quality and safety management initiatives across the Group and monitoring awareness and implementation of related policies, even during the current restructuring of business sites and offices. For workplace accidents and products that are not compliant with quality criteria at business sites in Japan and overseas, we have created an integrated reporting procedure under the control of the executive officer in charge of quality and safety. This mechanism allows us to centrally collect information and communicate measures throughout the Group to prevent any reoccurrence.

Quality and Safety Reporting System



Improving the Quality of Products and Services

The Kurita Group has established a Groupwide Quality Management Committee to lift the quality of products and services. The Quality Management Committee is composed of a committee that oversees all the Group's activities and subcommittees focused on each business. In the fiscal year ended March 31, 2022, we conducted a quality survey with an external party to improve operational quality levels in new product and technology development and in engineering processes in the ultrapure water supply business. We

also continued to monitor quality levels and address quality issues at Group companies with engineering functions. In the fiscal year ending March 31, 2023, we are also focusing on "change control" to help the Group adapt to changes in the internal and external operating environment. This approach allows us to predict and anticipate changes that could impact quality, supporting the development of effective countermeasures.

Reinforcing the Group's Engineering System

Production capacity is becoming an increasingly important factor for the Group's growth potential and competitiveness amid continued strong capex-led demand for ultrapure water supply facilities and other infrastructure from the electronics industry. The Group is working to use business alliances to add more production capacity, so starting up new business relationships rapidly and maintaining

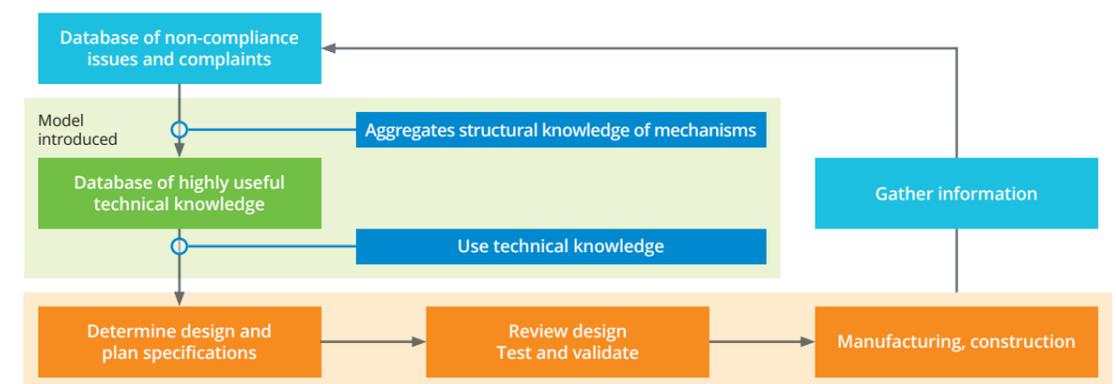
quality standards will be key. We launched a project in April 2022 to address this issue. The project team, which is composed of key members from related departments, is working to identify likely issues when design and engineering work is outsourced to new business partners, and developing solutions to quickly resolve them.

Model to Anticipate and Prevent Non-compliant Work and Workplace Accidents

The Kurita Group is introducing a model to anticipate and prevent non-compliant work issues. The model identifies structural

mechanisms behind issues in product and service provision and converts the information into highly useful technical knowledge.

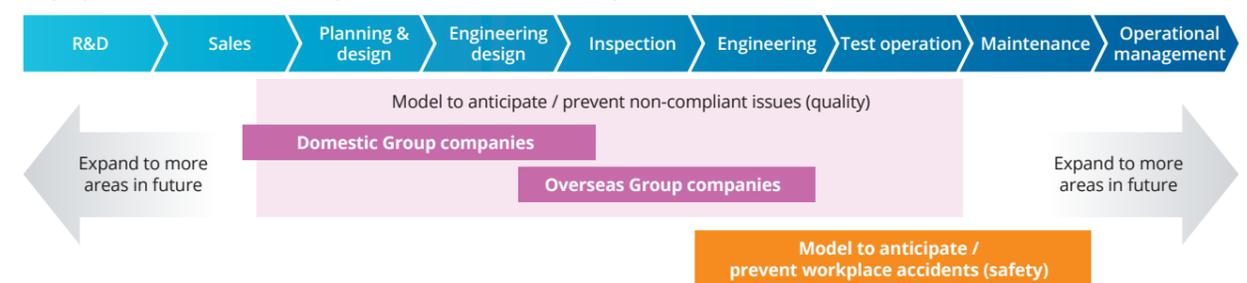
Cost Overrun Prevention Cycle Using Model to Anticipate and Prevent Non-Compliance Issues



In the fiscal year ended March 31, 2022, we extended the use of the model from Kurita Water Industries to include domestic Group companies with engineering functions. In the future, we plan to introduce it into upstream processes, including overseas Group companies and development sites, creating a system that covers all stages of our value chain.

We are also starting to apply the model to safety management to anticipate and prevent workplace accidents. In the fiscal year ended March 31, 2022, we created a knowledge base of useful information based on historical occupational incidents and near-misses. From July 2022, we began using the system at engineering sites to easily verify potential safety issues prior to starting work on specific project phases and in line with onsite progress.

Deployment of Model to Anticipate and Prevent Non-Compliance Issues



Cultivating Safety Culture

Kurita's Health and Safety Committee leads Group efforts to prevent major accidents by implementing initiatives specific to each business. We also conduct ongoing safety culture checks at Group companies in Japan and overseas. These checks determine the level and balance of key components in safety culture, such as hazard recognition, work management, and materials management. Based

on this, measures are implemented to reinforce weak points. In the fiscal year ending March 31, 2023, we will develop and roll out safety measures tailored to the business characteristics of each business unit and Group company, reflecting the growing trend in accident prevention of using targeted measures for different types of business operations.

Japan Sales Business Division



Opportunities and Risks

- Opportunities**
 - Expansion in demand for water treatment due to a surge in capital investment and repatriation of production in the semiconductor and electronic components industries
 - Increase in needs for solutions related to droughts and floods due to climate change, as well as carbon neutrality and circular economy
 - Mechanization of production in Japan due to population decline and increase in needs related to automation and labor saving due to increasing severity of human resource shortages
- Risks**
 - Slow response to customers' production cuts and changes in production items as customers review business portfolios
 - Decrease in demand for daily consumption items due to accelerated inflation

Hirohiko Ejiri
Executive General Manager of Japan Sales Business Division

Business Environment and Initiatives

Amid a contraction trend in the domestic water treatment market caused by customers consolidating production sites and relocating them overseas following the global financial crisis of 2008, social changes are showing unprecedented speed and diversity, including the impact of COVID-19 and growing concern over the issue of climate change, as well as accelerating global inflation. In this situation, the Kurita Group has pivoted from its previous cost-based business model of selling physical products to a service business model of providing value to customers.

First, in order to emphasize the customer's perspective, we set up a structure that would enable us to recognize the issues in each market and rapidly deploy solutions for them. All of the Company's domestic sales functions were merged into the Japan Sales Business Division, and we merged the Company's maintenance functions into the domestic sales companies, which were previously focused mainly on the water treatment chemicals business. In conjunction with this, we relocated and integrated our sales offices to create a structure based on markets and regions, and incorporated our solution promotion functions into the Japan Sales Business Division.

Under this structure, we are working to maximize the value provided to customers in each business domain. We are responding to customers' increasing awareness of ESG and climate change response by developing the CSV business, which contributes to water savings, CO₂ emissions reduction and waste reduction. We also expanded solutions for customer needs relating to business continuity planning (BCP) to ensure stable operation of production sites during droughts and floods, as well as automation and labor saving.

As a countermeasure for COVID-19, we continued to avoid visiting customer sites in some markets, and we were unable to conduct face-to-face proposal activities and onsite trial testing. As a result of such factors, our deployment of solutions has been slower than we would like in some areas; however, we have steadily built up a record of providing value to customers, and we have raised employees' awareness of our business model transformation through initiatives to promote solutions that straddle the boundary between our conventional water treatment chemicals and water treatment facilities businesses.

Issues to Address

Rapid social change is giving rise to various issues for the Kurita Group's customers, driving them to change as well. In the electronics industry, demand for semiconductors and electronic components is expanding, and even the related supply chains in each country and region are becoming a part of social infrastructure. The same phenomena is happening in Japan. In addition to securing stable supplies of water of high purity in large volumes needed for the manufacture of these items, there is also a requirement for speed in terms of short lead times and rapid start-

up, and the speed with which we can respond from proposal activities through to the provision of products and services is an important factor. In general industries such as electric power, petroleum, steel, and pulp and paper, there is a growing demand for conversion to low-carbon energy sources and low-environmental impact materials, and revising the production item portfolio has become an important management priority. Failure to recognize these turning points quickly and create new markets, will make sustainable growth difficult.

Business Environment and Market Issues in each Industry

	Electronics industry market	General industry market
Business Environment	<ul style="list-style-type: none"> Expansion of semiconductor and electronic components demand Related supply chains becoming a part of social infrastructure Repatriation of production driven by geopolitical concerns 	<ul style="list-style-type: none"> Demand for shift to low-carbon energy sources and low-environmental impact materials High costs for raw materials, parts, and energy
Market Issues	<ul style="list-style-type: none"> Response to investment conditions and environmental regulations in each region Securing water of high purity in large volumes Rapid start-up of production facilities 	<ul style="list-style-type: none"> Review of business portfolio and change in manufacturing methods and processes Decline and aging of the working population Resource depletion and deterioration of raw material quality

Future Initiatives

Speed is vital for accurately recognizing social turning points and proposing solutions. Therefore, we must strengthen and make full use of the Kurita Group's management resources; namely, human resources, information, and physical items.

In terms of human resources, we will strengthen education and management so as to translate an awareness of transformation into action. On the education front, we will continue to provide digital education targeted at the employee's level, with the aim of rapidly connecting customer information and onsite facility operation data into proposal activities. On the management front, we will expand the HR Tech that has been introduced in the Engineering Division into the Japan Sales Business Division, aiming to form teams that can speed up value provision to customers and increase employee engagement by starting with an understanding of the individual nature of employees and the status of their initiatives.

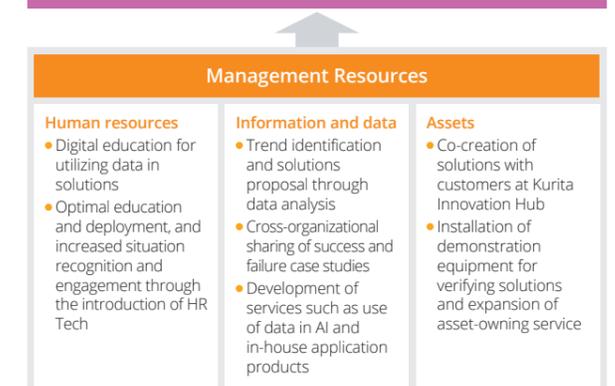
In making use of information, we have built a platform for gathering customer information and operating data from their onsite facilities, and we have been collecting data. However, we have not yet made full use of it. We will accelerate initiatives to identify trends and propose solutions from analysis of the information and data obtained, and enable employees to make spontaneous use of case studies of successes and failures by sharing them across the organization. Furthermore, we will also promote the use of our in-house application products through the AI and Meta-Aqua Project that we are promoting in our service business.

In making use of assets, we will use the Kurita Innovation Hub, which opened in April 2022, as a venue for collaborating with

customers to find solutions to their issues. We will also install multiple demonstration machines needed for developing solutions, and actively expand a new type of asset-owning service business that will enable us to differentiate from other companies. In 2021, the Company merged with Kurita Engineering, and we have started examining expansion of the business domains for the engineering cleaning business, as well as overseas expansion.

We will continue aiming to maximize the value provided to customers as we work to create value across the entire Kurita Group by collaborating across countries, regions, and markets.

Rapid provision of solutions in response to social changes



Global Business Division



Opportunities and Risks

- Opportunities**
 - Using the business base and distinctive technologies acquired through M&A to grow the business
 - New solutions created through the power of diversity
 - Deploying the best solutions for customers in each country and region using global and local functions
- Risks**
 - Global pandemic
 - Supply chain malfunctions due to accelerated inflation and geopolitical tensions, or inability to cope with rapid exchange rate fluctuations

Yasuo Suzuki
Executive General Manager of Global Business Division

Business Environment and Initiatives

Since its establishment, the Group has operated mainly in Japan. As the domestic market shrinks and price competition intensifies, we have found a path to business growth overseas. We have invested about 120 billion yen so far, starting with an M&A in 2015 in the water treatment chemicals business in Europe. As a result, the Group has built a business structure across four regions: Japan, Asia, EMEA,* and North & South America. In addition, we have made improvements to profitability by reviewing the business portfolios of group companies based in Europe and Asia, and reducing the size of our low-profit businesses, while also expanding our CSV business to suit the characteristics of each region and market.

We also promote projects that focus on the technology acquired in M&A and on local subsidiaries. Project Acorn, which is led by the CEO of Avista Technologies, is expanding the company's highly competitive RO membrane-related solutions globally. In addition, the One ASEAN Project, which identifies multiple group companies in the Southeast Asia region as one company, was able to achieve the profitability goals of the region's MVP-22 plan ahead of schedule. This was done by moving away from traditional sales activities that target transaction volume, instead channeling

resources toward businesses that focus on delivering value to customers. In China, we have appointed regional supervisors to accelerate the development of integrated solutions for water treatment chemicals, water treatment facilities, and maintenance. In June 2022, Pentagon Technologies Group, Inc., which operates a precision tool cleaning business mainly in the U.S., became a wholly owned subsidiary. We have begun full-scale efforts to create synergies between Pentagon Technologies and our Japan-based subsidiary Kuritec Services with the aim of becoming a global leader in the precision tool cleaning business.

Although the COVID-19 pandemic hampered the growth of the Group, due to restrictions on movement between countries and regions. However, we have made progress in measures to achieve the Group's business objectives. A variety of locally generated solutions, such as DX diagnostic services, have emerged. The resulting reverse imports have had a positive impact in Japan, which has helped to change the mindset of local employees and boost their motivation.

* Europe, Middle East and Africa

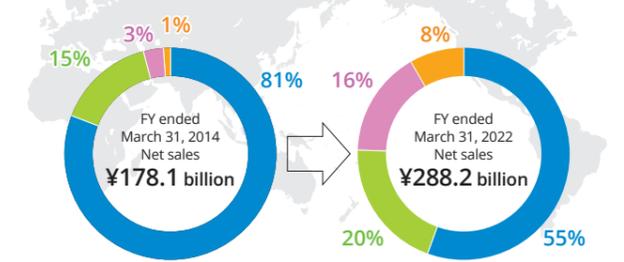
Issues to Address

The MVP-22 plan has enabled the Group to gain a global business base. Our future task going forward will be to use this base to grow our market share in each country and region with a view to becoming a top global company. We face a host of business risks such as the COVID-19 pandemic, shortages and soaring prices of raw materials and parts, currency fluctuations, and the worsening situation in Ukraine. To manage these risks and grow sustainably, we need to build a system that positions each Group company not only to become a strong local organization, but also to take a multifaceted approach to solving customer problems.

In the near term, an urgent task will be to develop Kurita America's infrastructure in North America. In the midst of integration process, the revenue base continues to be unstable. There has been a delay in demand recovery due to the COVID-19 pandemic. There have also been logistics disruptions caused by the rapid economic recovery that followed the pandemic. This has left us having to complete the integration in a short timeframe.

Ratio of sales by region and business structure

EMEA Number of companies: 14 Number of employees: Approx. 500	Japan Number of companies: 31 Number of employees: Approx. 3,800
Asia Number of companies: 20 Number of employees: Approx. 1,600	North & South America Number of companies: 11 Number of employees: Approx. 1,800



* Number of companies and employees as of March 31, 2022
* The number of companies includes affiliates as well as consolidated subsidiaries.

Future Initiatives

We are working to bring Kurita America to profitability at an early date. We will review the business portfolio by setting up a system that can quickly supply products to meet demand by optimizing production and inventory. We will also shift resources to areas that are less susceptible to the external environment, such as the food market. We will strengthen our profitability by developing high-value-added businesses such as CSV businesses and total solutions, while maintaining a well-developed base. In the future, we will consider the feasibility of opportunities outside of precision tool cleaning, such as developing the water treatment facilities business, with the aim of further capturing business in the North American electronics industry.

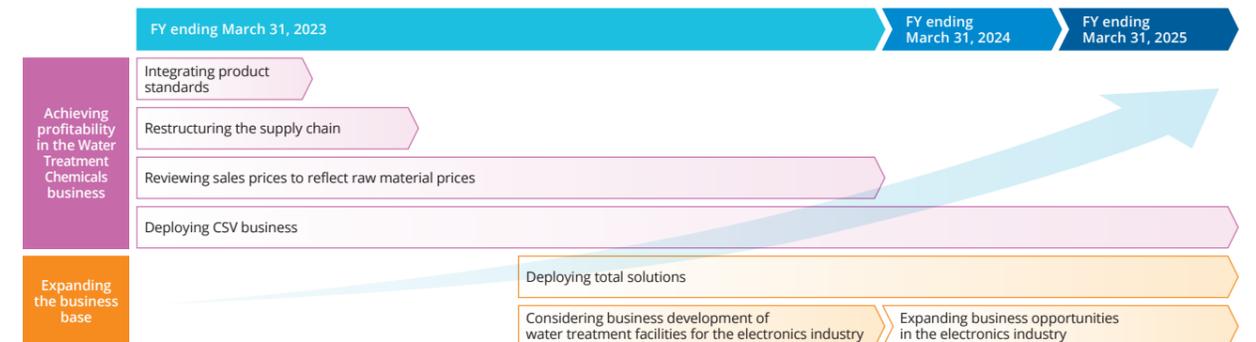
In addition, we will work globally and locally to build a system for solving customers' problems around the world. First, we will build a mechanism that will allow us to gather and use information for deploying horizontally. We will do this by integrating and developing a customer information portal for use globally. In terms of structure,

we will develop, as a head office function of the Group, global strategies for development and marketing, and provide local support for technology and engineering. We will strengthen our business management system with a focus on local subsidiaries. Local subsidiaries will improve their work quality, management and practical capabilities by exchanging human resources within the region, sharing education and training, and developing talent including at the management level.

Although we have eased off on large-scale M&A projects aimed at acquiring business foundations, we will continue to acquire companies that have distinctive businesses and technologies that could create synergies with our group. We will also continue to consider M&A projects that will further strengthen the Group's business base.

We will continue further increasing our global business presence so that we can drive change from the overseas business to the Kurita Group as a whole.

Initiatives to Improve Profitability at Kurita America and Expand the Business Base



Review of Operations by Segment

Water Treatment Chemicals

Results in the Fiscal Year Ended March 31, 2022

Orders **¥118,401** million Year-on-Year Change +14.3% ↑

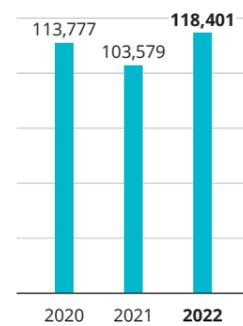
Net Sales **¥117,672** million Year-on-Year Change +14.0% ↑

Business Profit **¥13,589** million Year-on-Year Change +10.6% ↑

Operating Profit **¥14,560** million Year-on-Year Change +23.2% ↑

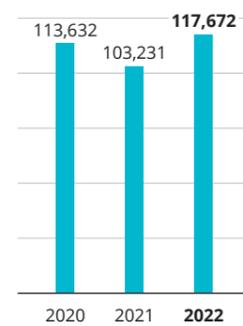
Orders

(Millions of Yen)



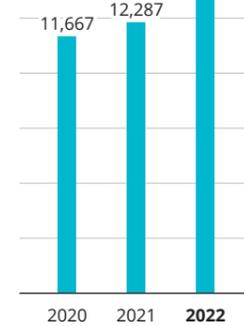
Net Sales

(Millions of Yen)



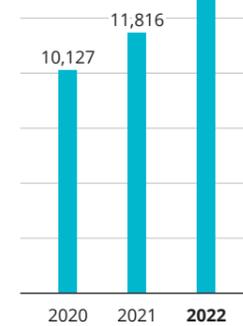
Business Profit

(Millions of Yen)



Operating Profit

(Millions of Yen)



Fiscal years ended March 31

Overview of the Fiscal Year Ended March 31, 2022

Orders and Net Sales

Despite signs of a recovery in production activity in the manufacturing industry, orders and net sales in Japan rose only slightly year on year, reflecting a drop in capacity utilization in some subsectors due to the COVID-19 pandemic and shortages of semiconductors. Overseas, orders and net sales both increased, supported by a recovery in demand from the previous fiscal year, when the COVID-19 pandemic weighed on economic activity, and by the consolidation of results from Kurita AquaChemie Ltd. in the Middle East and Keytech Water Management in Canada. The slide in the yen also lifted earnings at overseas subsidiaries on a yen basis.

Business Profit and Operating Profit

Costs increased as sales activities returned to normal levels, and raw material and logistics costs rose, but business profits grew year on year on the back of higher sales. As part of an overhaul of water treatment chemicals manufacturing in China, the business booked impairment losses on property, plant and equipment following a decision to shut down a plant operated by Kurita Water Industries (Jiangyin) Co., Ltd. However, operating profit increased year on year, supported by the sale of real estate at the former head office and Osaka branch office sites, and by foreign exchange translation gains at overseas subsidiaries.

Principal Products and Services

Boiler Water Treatment Chemicals

Boilers are widely used for production processes in plants and air conditioning in office buildings. Boiler water treatment chemicals are used to prevent faults that may arise in boilers and ensure stable, efficient operation. They also help to save energy by preventing loss of heat efficiency in the boiler.



Cooling Water Treatment Chemicals

Cooling water treatment chemicals are used to treat cooling water used in plants and office buildings. By preventing problems in pipes and heat exchangers and inhibiting the growth of harmful Legionella bacteria in cooling towers, these chemicals help to save resources and energy and contribute to safer workplaces.



Wastewater Treatment Chemicals

Wastewater treatment chemicals are used to treat the many forms of industrial wastewater discharged by plants and domestic sewage to prevent any negative impact on the local environment. Proper treatment of wastewater contributes to the reduction of environmental impact.



Process Treatment Chemicals

Process treatment chemicals are used in manufacturing processes in the oil refining, petrochemical, steel, and pulp and paper industries, where they help to maintain and improve production efficiency and product quality.



Reverse Osmosis (RO) Membrane Treatment Chemicals

RO membrane treatment chemicals remove deposits that can reduce the filtering performance of RO membranes used in wastewater reclamation and seawater desalination facilities. By preventing clogging of the membranes, the chemicals contribute to stable, efficient operation of the facilities.



Treatment Chemicals for Automobile Painting Booths

Water treatment chemicals that separate residual paint contained in water in automobile painting booths ensure that circulating water is of appropriate quality, helping to improve productivity and reduce environmental impact.



Treatment Chemicals for Incinerators

Treatment chemicals for incinerators enable consistent treatment of hazardous substances, such as heavy metals contained in fly ash, and control emissions of acidic gas, thereby helping to reduce environmental impact.



Treatment Chemicals for Civil Engineering

In civil engineering projects, the Group uses chemicals to develop green spaces, treats construction sludge appropriately and reduces sprayed concrete dust, among other applications.



Chemical Dosing and Injection Equipment

The Kurita Group provides water treatment-related equipment for a wide range of applications, such as automatic water quality management systems that use chemical dosing and injection equipment and sensing technologies. By enabling stable operation of customers' facilities, this equipment contributes to labor saving and reduced environmental impact.



Review of Operations by Segment

Water Treatment Facilities

Results in the Fiscal Year Ended March 31, 2022

Orders **¥196,839** million Year-on-Year Change +24.0% ↑

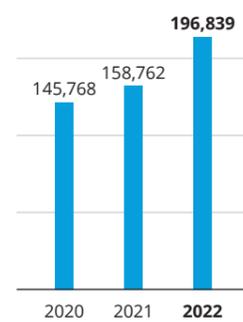
Net Sales **¥170,534** million Year-on-Year Change +3.7% ↑

Business Profit **¥19,391** million Year-on-Year Change +13.2% ↑

Operating Profit **¥21,169** million Year-on-Year Change +7.8% ↑

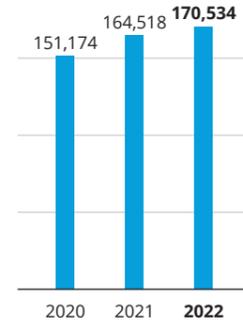
Orders

(Millions of Yen)



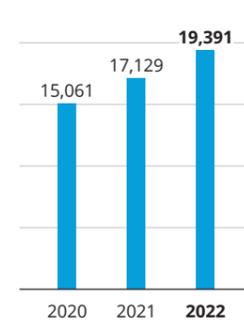
Net Sales

(Millions of Yen)



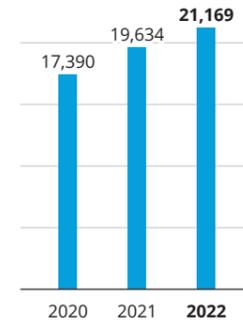
Business Profit

(Millions of Yen)



Operating Profit

(Millions of Yen)



Fiscal years ended March 31

Overview of the Fiscal Year Ended March 31, 2022

Orders and Net Sales

In Japan, net sales increased significantly as orders for water treatment facilities from the electronics industry increased significantly due to a number of orders for large projects. There was also an increase in orders and net sales for maintenance services from the same industry, reflecting growth in maintenance work such as facility upgrades and replacement of consumables amid high rates of capacity utilization at customers. Orders for water treatment facilities from general industry contracted sharply year on year due to cancellations of large projects, leading to lower sales. Orders for maintenance services from the same industry declined, but net sales rose on the back of higher demand amid a recovery in capacity utilization rates at customers. Orders and net sales for water treatment facilities from the electric power industry declined. Soil remediation orders increased, but sales fell. Overseas, orders and net sales both increased year on year, supported by major orders and the booking of sales for water treatment facilities in the electronics industry in East Asia, and by growth in the precision tool cleaning business. Combined domestic and overseas sales in the ultrapure water supply business increased year on year, reflecting sales contributions from contracts started in the previous fiscal year, and by new water supply projects activated in the fiscal year under review.

Business Profit and Operating Profit

Business profit increased, mainly driven by higher sales and an improvement in the cost of sales ratio, which reflected a better product mix due to an increase in the sales contribution from services. Despite the absence of a gain booked in the ultrapure water supply business in the previous year related to contract termination settlements with a certain customer, operating profit increased due to the sale of real estate at the former head office and Osaka branch.

Principal Products and Services

Ultrapure Water Production Systems

Ultrapure water production systems remove ions, microscopic particles and bacteria from water to produce water that is as close as possible to theoretically pure H₂O—an essential ingredient in the production of semiconductors and FPDs.



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Wastewater Reclamation Systems

Kurita provides systems for reclaiming and recycling wastewater. Moreover, by reclaiming valuable substances included in the wastewater, the systems help to conserve resources and reduce costs.



Methane Fermentation System for Biogas Power Generation

The system recovers biogas by generating methane from the fermentation of industrial waste, food leftovers and other waste collected from the local area, helping to reduce waste emissions.



Maintenance Services and Systems Management

Kurita provides maintenance services to prevent deterioration in performance and problems arising in water treatment facilities and to meet customer needs for lower environmental impact and greater productivity. Kurita also manages systems and facilities for customers.



Ultrapure Water Supply Business

Kurita installs and owns proprietary water treatment systems at customers' plants, handles the operation and maintenance of those systems, and charges customers for the supply of ultrapure water. This service reduces the level of investment required and the burden of system operation management for customers.



Precision Tool Cleaning

Using Group facilities, Kurita cleans and removes any deposits that adhere to tools and jigs used by customers in the manufacture of semiconductors and FPDs. The provision of precision tool cleaning services helps customers to maintain and improve productivity.



Soil Remediation

Kurita conducts pollution assessments and remediation of soil and groundwater polluted by harmful substances. Using various decontamination methods, Kurita helps customers to hedge against the risk of soil pollution. Other services include support for the effective use or sale of restored land.



Engineering Cleaning

Kurita provides engineering cleaning services using chemicals, high-pressure water and other methods to clean accumulated deposits from boilers, heat exchangers and pipes, ensuring that large-scale plants such as industrial complexes and electric power plants continue to operate safely and efficiently.



Directors, Members of the Audit & Supervisory Board, and Executive Officers

(As of June 29, 2022)

Directors



**President and Representative Director
Michiya Kadota**
2016 President and Representative Director (to present)
2014 Director
Executive General Manager of Administrative Division
2013 Executive Officer
1983 Joined Kurita Water Industries Ltd.



**Executive Senior Managing Director and Representative Director
Hirohiko Ejiri**
2022 Executive General Manager of Japan Sales Business Division and Chief Business Officer for Chemical Operation (to present)
2021 Executive Senior Managing Director and Representative Director (to present)
2020 Executive General Manager of Engineering Division and Chief Business Officer for Facilities Business
2019 Managing Director
2016 Director
2014 Executive Officer
1985 Joined Kurita Water Industries Ltd.



**Managing Director
Yoshio Yamada**
2022 Executive General Manager of Innovation Division (to present)
2019 Executive General Manager of Japan Sales Business Division and Chief Business Officer for Chemicals Business
2018 Managing Director (to present)
2014 Director
2011 Executive Officer
1982 Joined Kurita Water Industries Ltd.



**External Director
Ryoko Sugiyama**
2018 Head and Representative Director of Gifu Shimbun Co., Ltd. (to present)
2017 External Director of Kurita Water Industries Ltd. (to present)
2015 External Director of UACJ Corporation (to present)
2010 External Director and Audit and Supervisory Committee Member of LECIP Holdings Corporation (to present)
Professor at the Faculty of Social and Environmental Studies of Fuji Tokoha University (current Tokoha University)
Director of Sugiyama & Kurihara Environmental Consultants, Inc. (to present)
2007 Established Sugiyama & Kurihara Environmental Consultants, Inc., Representative Director
1996 Established Sugiyama & Kurihara Environmental Consultants, Inc., Representative Director



**External Director
Keiko Tanaka**
2022 Corporate Vice President of Nissan Financial Services Co., Ltd. (to present)
2020 Outside expert of Sustainability Committee of NH Foods Ltd. (to present)
2019 External Director of Kurita Water Industries Ltd. (to present)
2018 Vice President of Nissan Financial Services Co., Ltd.
2014 Ambassador Extraordinary and Plenipotentiary of Japan to Uruguay
2013 Acted as Vice President of JATCO Ltd.
1984 Joined NISSAN MOTOR CO., LTD.



**External Director
Kenichiro Kamai**
2021 External Director of Kurita Water Industries Ltd. (to present)
Advisor of TOKAI ELECTRONICS CO., LTD. (to present)
2019 Executive Advisor of ADVICS CO., LTD.
2015 Director and Executive Vice President of ADVICS CO., LTD.
2014 Executive Senior Managing Director of ADVICS CO., LTD.
2012 Managing Executive Officer of DENSO CORPORATION in charge of Development Division
2009 Executive Senior Managing Director of SOKEN, INC.
1978 Joined NIPPONDENSO CO., LTD. (current DENSO CORPORATION)



**External Director
Masahiro Miyazaki**
2022 External Director of Kurita Water Industries Ltd. (to present)
2021 Advisor of Hitachi High-Tech Corporation (to present)
2015 Representative Executive Officer, President and Chief Executive Officer and Director of Hitachi High-Technologies Corporation
2014 Senior Vice President and Executive Officer, General Manager of Corporate Strategy Division of Hitachi High-Technologies Corporation
2010 President & CEO, Hitachi High-Technologies America, Inc. (current Hitachi High-Tech America, Inc.)
2007 Executive Officer, General Manager, Regional Branch Office for West Japan Area and Kansai Branch Office of Hitachi High-Technologies Corporation (current Hitachi High-Tech Corporation)
1977 Joined Nissei Sangyo Co., Ltd. (current Hitachi High-Tech Corporation)



**Managing Director
Yasuo Suzuki**
2020 Managing Director (to present)
Executive General Manager of Global Business Division and Chief Business Officer for Global Business (to present)
2018 Director
2014 Executive Officer
1997 Joined Kurita Water Industries Ltd.



**Director
Shuji Shirode**
2021 Director (to present)
Executive General Manager of Corporate Control and Administration Division (to present)
2018 Executive Officer
2016 Joined Kurita Water Industries Ltd.



**Director
Katsuya Amano**
2022 Director (to present)
Executive General Manager of Engineering Division and Chief Business Officer for Facility Operation (to present)
2021 Executive Officer
1992 Joined Kurita Water Industries Ltd.

Members of the Audit & Supervisory Board



**External Member of the Audit & Supervisory Board
Kenjiro Kobayashi**
2016 External Member of the Audit & Supervisory Board of Kurita Water Industries Ltd. (to present)
2010 Representative Director and Executive Vice President of Japan Industrial Solutions Co., Ltd.
1977 Joined Japan Development Bank (current Development Bank of Japan Inc.)



**Member of the Audit & Supervisory Board
Yukihiko Mutou**
2019 Member of the Audit & Supervisory Board (to present)
2018 Director
2016 Executive Officer
1991 Joined Kurita Water Industries Ltd.



**External Member of the Audit & Supervisory Board (Part time)
Toshiaki Tada**
2020 External Member of the Audit & Supervisory Board of Kurita Water Industries Ltd. (part time) (to present)
2012 Audit & Supervisory Board Member, ITOCHU Techno-Solutions Corporation (to present)
2005 Partner, HIBIYA SOGO LAW OFFICES (to present)
1996 Joined HIBIYA SOGO LAW OFFICES
1996 Registered as an attorney

Executive officers

Hisashi Tanabe
Executive General Manager of Corporate Planning and Management Office

Norikazu Kachi
Deputy Executive General Manager of Corporate Control and Administration Division

Makoto Mizuno
Executive General Manager of Digital Strategy Division

Takehiro Nozue
Senior General Manager of Marketing Group, Innovation Division

Seiji Ueda
Deputy Executive General Manager of Engineering Division

Kunihiro Kuse
Senior General Manager of Engineering Group I, Engineering Division

Shingo Yamaga
Senior General Manager of EMEA and Americas Operation Group, Global Business Division

Jiro Tanaka
Senior General Manager of Industrial Infrastructure Group, Japan Sales Business Division

Masaya Kawai
Senior General Manager of Solution Business Group, Japan Sales Business Division

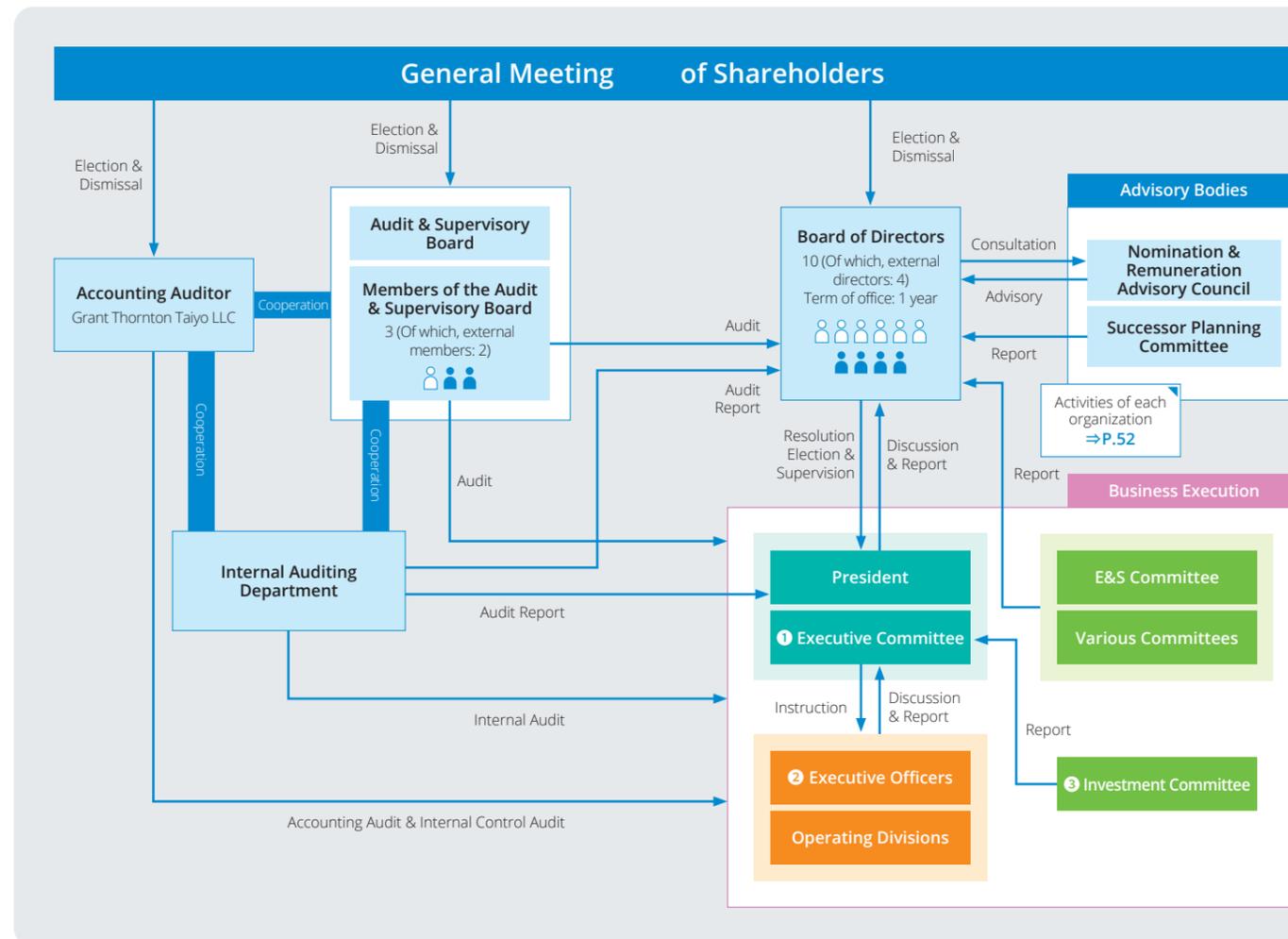
Corporate Governance

Basic Concept

The Kurita Group aims to contribute broadly to society through corporate activities in the fields of water and the environment in accordance with the Kurita corporate philosophy, "Study the properties of water, master them, and we will create an environment in which nature and humanity are in harmony." The Kurita Group will work to promote sustainable growth and enhance its corporate value in the medium and long term, deferring to the rights and position of various stakeholders such as customers, business partners, employees, shareholders, and local communities while striving to meet their expectations. To this end, the Kurita Group is striving to establish corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making measures and highly effective management supervision.

Corporate Governance Structure

As a company with an Audit & Supervisory Board, Kurita's Board of Directors is responsible for decision-making and supervision of business execution. The Board sets the Group's strategic direction and supervises management in general to support sustained growth. It also makes decisions on business execution related to important investment and financing projects, the transfer of business, and other key matters. For other matters, business execution is decided by the Executive Committee, which is composed of management executives, or by management executives who have been given authority under the Internal Decision Approval and Review Rules.



Business Execution Structure

- Executive Committee**
The Executive Committee reviews matters to be resolved at Board of Directors meetings when necessary to expedite and facilitate the decision-making process. The Executive Committee consists of the president and representative director, directors at the level of managing director and above, and directors and executive officers designated by the president.
- Executive Officers**
The Company introduced an executive officer system in June 2005 to strengthen business execution capabilities. As of June 29, 2022, there were nine executive officers. Executive officers are employed based on appointment contracts.
- Investment Committee**
To enhance and strengthen the screening of investments and financing of the Kurita Group, the Company established the Investment Committee in April 2017. The role of the Investment Committee is to pre-screen investment and financing projects to be discussed by the Board of Directors or the Executive Committee and report the pre-screening results and major discussion points to the Board of Directors and the Executive Committee. The Investment Committee has helped enhance the quality of discussions and the speed of investment decision-making by the Board of Directors and the Executive Committee by organizing major discussion points prior to meetings.
In accordance with the policy of striving to maintain return on equity (ROE) at levels above the cost of shareholders' equity, when making an investment decision, the Kurita Group sets a hurdle rate in consideration of risks for each investment project against the cost of capital.

Timeline of Corporate Governance Improvements (The fiscal years ended March 31)

	Corporate governance structure	Remuneration system	Other
2006	<ul style="list-style-type: none"> Introduced the executive officer system 		
2007			<ul style="list-style-type: none"> Formulated Basic Policies for Constructing an Internal Control System
2009		<ul style="list-style-type: none"> Abolished the retirement benefit system for directors 	
2014	<ul style="list-style-type: none"> Appointed an independent external director Reduced the term of office for directors from two years to one 		<ul style="list-style-type: none"> Established liability limitation contract provisions for external directors and external members of the Audit & Supervisory Board
2016	<ul style="list-style-type: none"> Established Nomination & Remuneration Advisory Council Started evaluating the effectiveness of the Board of Directors 		<ul style="list-style-type: none"> Formulated Corporate Governance Policies
2017		<ul style="list-style-type: none"> Increased the proportion of remuneration linked to consolidated results performance and introduced a performance-linked stock compensation program 	
2018	<ul style="list-style-type: none"> Appointed a female external director Established the Investment Committee 		
2019	<ul style="list-style-type: none"> Established the Successor Planning Committee 	<ul style="list-style-type: none"> Revised the remuneration system for executive officers 	
2022		<ul style="list-style-type: none"> Trialed reflecting non-financial indicators in performance evaluation standards 	

Roles and Results of the Investment Committee (The fiscal year ended March 31, 2022)

Roles	<ul style="list-style-type: none"> Pre-screening of investment projects to be discussed by the Board of Directors or the Executive Committee Report the pre-screening results and major discussion points to the Board of Directors or the Executive Committee
Constituent members	<p>Chairperson: Deputy executive general manager of the Corporate Planning and Control Division</p> <p>Members: Deputy executive general manager of Corporate Planning and Management Office, general manager of the Corporate Planning Department, general manager of the Legal Department, general manager of the Corporate Accounting Department, general manager of the Corporate Finance Department, and general managers of business management departments in charge of sales and production</p>
Results in the fiscal year ended March 31, 2022	<p>Number of meetings held 16</p>
	<p>Number of projects pre-screened</p> <ul style="list-style-type: none"> Equity investment and M&A projects: 2 Capital investment projects: 6 Financing and fund procurement projects: 6 Company establishments, relocations, reorganizations: 2 <p>Total: 16</p>
(Reference) Investment Standard	Hurdle rate calculated as "cost of capital + risk premium for each project"

Corporate Governance

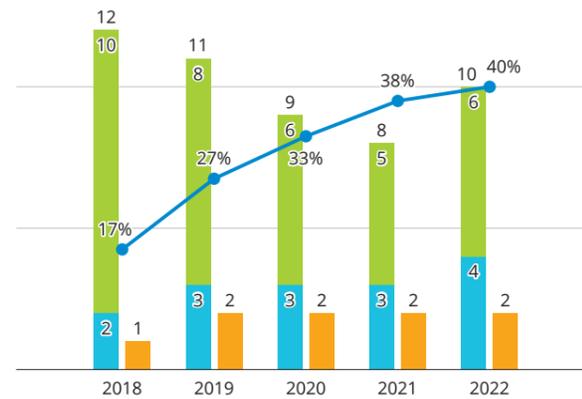
Composition of the Board of Directors

To fulfill the highly effective supervisory function over operational execution towards realizing the corporate philosophy, the Board of Directors will consist of personnel with the necessary knowledge, experience and competence, taking into consideration gender and diversity. With regard to this knowledge, experience and competence, the Company will identify skills regarding corporate management, management planning and other aspects of corporate governance and management, skills required to realize the direction sought by the Kurita Group of leveraging diversity to deepen water knowledge and using water knowledge to create social value, and necessary skills, etc., for realizing the Corporate Philosophy. The Board of Directors as a whole will be organized in a way that complements the above. Based on this policy, the nine items of the skills matrix and reasons for selection are as shown in the following table.

Composition of the Board of Directors

(As of June 30)

■ External directors ■ Internal directors ■ Female directors
● Percentage of external directors (%)



Skills and reason for selection

High-level concepts	Skills	Reason for appointment
Corporate governance and management	Corporate management	These skill categories have been selected because they are considered to be skills, knowledge, and experience that provide a foundation for decision making and supervision of business execution.
	Corporate planning	
	Finance and accounting	
	Legal and HR management	
Leveraging diversity Making full use of water knowledge Creating social value	Human rights	In developing its business globally, the Kurita Group encounters diverse working environments, business customs, and trading practices, and there is a need to engage in business while respecting stakeholders' human rights. The Group has therefore established "respect human rights" as one of its materiality themes, and is promoting human rights respect initiatives for stakeholders such as employees in countries and regions where it conducts business. The Group also views the diversity of human resources as a foundation for generating innovation and a source for creating value that will lead to sustainable growth, and therefore considers it important to utilize diversity. Accordingly, the Group has selected human rights as a skill category because it is a priority issue for management.
	Global	As it develops its business globally, the Kurita Group is working to establish and reinforce a global platform built on the four pivotal regions of Japan, Asia, EMEA, and the Americas. The skills item "global" stands for understanding of regions and countries, etc., where the Group is developing its business, and for international experience. It is an essential element for cultivating the "diverse points of contact with sites" that are a source of the Group's competitive advantage. This skill category has been selected because the Group considers a deep knowledge of global markets to be essential for developing business globally and increasing corporate value.
	Understanding and solving issues on-site	The Group provides solutions to issues caused by water at the sites of various customers around the world. At "diverse points of contact with sites," the Group engages seriously with customers' issues, utilizing its "water knowledge" in the form of accumulated information and data to create solutions that only the Kurita Group can provide. This is the source of shared value creation with customers and society. This skill category was selected because the Group considers it important to have a deep understanding of points of contact with customer sites, which is the source of value creation, and a deep experience of solving issues at such points of contact.
	R&D, technology, and engineering	The Group merges technology and expertise acquired in various business domains to create new products, services, and technologies. Furthermore, amid the significant external environmental changes of recent times, the Group has revised its methods of providing products, services, and technology with an emphasis on providing value in customers' business continuity, and is taking steps to improve cost competitiveness and production capacity by reviewing its procurement and production structures. This skill category was selected as the Group considers the strengthening of development, technology, and production to be the foundation for creating and providing solutions.
Creating social value	DX	The Group aims to achieve DX by using digital technology to change its business processes and transform its business model. This skill category was selected because the Group considers DX to be a priority task for making use of digital tools, AI, and IoT, and utilizing information and data collected from diverse customer sites as "water knowledge," to create innovative shared value with customers and society.
	Environment	In its CSR policies, the Group has identified "solve issues related to water resources," "realize sustainable energy use," and "reduce waste" as material issues for realizing a sustainable society, and as priority themes for it to address. Moreover, it has defined products, technologies or business models that make significant contributions to water-savings, CO ₂ emissions reduction and waste reduction compared with previous levels as "CSV businesses," and is working to create shared value with society through their development and provision to customers. The Group has selected this as a skill category because it views reducing environmental load through its business as its mission.

Skills Matrix of Directors and Members of the Audit & Supervisory Board

	Name	Corporate governance and management			Leveraging diversity		Making full use of water knowledge		Creating social value	
		Corporate management Corporate planning	Finance and accounting	Legal and HR management	Human rights	Global	Understanding and solving issues on-site	R&D, technology, and engineering	DX	Environment
Directors	Michiya Kadota	●	●	●	●	●	—	—	—	●
	Hirohiko Ejiri	●	—	—	●	●	●	●	●	●
	Yoshio Yamada	●	—	—	—	—	●	●	—	—
	Yasuo Suzuki	●	—	—	●	●	●	●	—	●
	Shuji Shirode	●	●	—	—	●	—	—	—	●
	Katsuya Amano	—	—	—	—	●	●	—	—	—
	Ryoko Sugiyama (external)	●	—	—	—	—	—	—	—	●
	Keiko Tanaka (external)	●	—	●	●	●	—	—	—	—
	Kenichiro Kamai (external)	●	—	—	—	—	—	●	●	—
	Masahiro Miyazaki (external)	●	—	—	—	●	—	—	—	—
Members of Audit & Supervisory Board	Kenjiro Kobayashi (external)	●	●	—	—	●	—	—	—	—
	Yukihiko Mutou	●	●	●	●	—	—	—	—	—
	Toshiaki Tada (external)	—	—	●	●	●	—	—	—	—

Among the knowledge and experience of each director/member of the Audit & Supervisory Board, those with ● are fields where they have strength while ○ indicates an area where they are especially promising.

Independent External Directors

The Company's external directors are appointed for a term of one year and may concurrently hold positions at up to three listed companies including the Company. The external directors use their knowledge and specialist insight accumulated through management experience to evaluate business management and provide opinions from the perspectives of the Kurita Group's sustainable growth and increasing corporate value over the medium to long term, helping to enhance the rationality and transparency of decision-making by the Board of Directors.

The activities of the independent external directors include making

proactive statements and proposals in Board of Directors meetings, as well as attending as observers in internal committees such as the E&S Committee, the Solutions Business Committee, and the Health and Safety Committee. They also make on-site visits to gain a deeper understanding of operations for evaluating management.

As members of the Nomination & Remuneration Advisory Council and the Successor Planning Committee, external directors also help to enhance the suitability and transparency of discussions in both bodies and work to ensure appropriate evaluations of executive candidates through individual interviews with candidates.

Status of External Directors (As of June 29, 2022)

Post	Name	Number of meetings of the Board of Directors attended (Fiscal year ended March 31, 2022)	Reasons for election as a director
Directors	Ryoko Sugiyama	Board of Directors' meetings: 12/12	Ms. Ryoko Sugiyama is an expert on the environment and waste and has held important positions such as an external director of listed companies. The Company judged that she is capable of providing opinions from an outside perspective, different from those within the Company, and increasing its rationality and transparency. In addition, Ms. Sugiyama was judged to be capable of supervising the execution of duties by directors, based on her high expertise and wealth of experience in the environment field.
	Keiko Tanaka	Board of Directors' meetings: 12/12	Ms. Keiko Tanaka has experience in business fields that differ from those of the Kurita Group and a great deal of knowledge about public relations and marketing, as well as international experience. The Company judged that she is capable of using these skills to express opinions from an outside perspective to increase the rationality and transparency of the Company's management, and to supervise the execution of duties by directors.
	Kenichiro Kamai	Board of Directors' meetings: 9/9	Mr. Kenichiro Kamai has a wealth of experience, including overseas, in business fields that differ from those of the Kurita Group, and he has considerable insight in DX and development. The Company judged that he is capable of expressing opinions from an outside perspective to increase the rationality and transparency of the Company's management and to supervise the execution of duties by Directors, based on his experience of management at multiple companies and his expertise in the fields of DX and development.
	Masahiro Miyazaki	—	Mr. Masahiro Miyazaki has experience of holding important positions such as a representative executive officer at corporate groups with global operations, both in Japan and overseas. The Company judged that he is capable of using these skills to express opinions from an outside perspective to increase the rationality and transparency of the Company's management, and to supervise the execution of duties by directors.

Corporate Governance

Advisory Councils for the Board of Directors

Nomination & Remuneration Advisory Council

The Company has in place a Nomination & Remuneration Advisory Council, a voluntary committee to increase transparency in the decision-making process regarding remuneration for directors and nomination of directors and members of the Audit & Supervisory Board. In the fiscal year ended March 31, 2022, the Council met six times. The Council is chaired by an external director, Ryoko Sugiyama, with the main members being the external directors and the external members of the Audit & Supervisory Board.

The chairperson of the Board of Directors consults with the Nomination & Remuneration Advisory Council beforehand when proposals are made to the Board of Directors regarding candidates for director or member of the Audit & Supervisory Board or remuneration for directors. The Council reports on the suitability or unsuitability of the candidates to the Board of Directors, which makes decisions based on the reports.

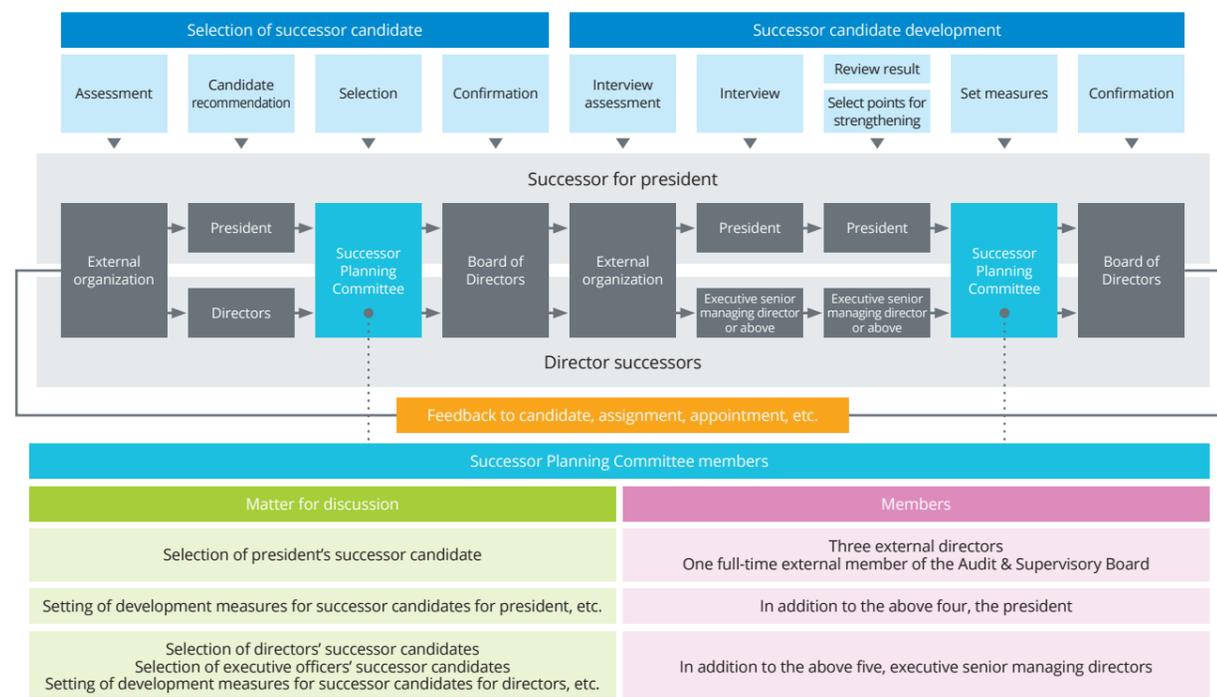
Profile of Nomination & Remuneration Advisory Council (Fiscal year ended March 31, 2022)

		Constituent members	Results in the fiscal year ended March 31, 2022
Nomination	Candidates for directors Candidates for representative directors Candidates for executive directors	<ul style="list-style-type: none"> Three external directors President One full-time external member of the Audit & Supervisory Board 	<ul style="list-style-type: none"> Discussion of determining the appropriateness of all candidates for director Examination of skills matrix
	Candidates for members of the Audit & Supervisory Board	<ul style="list-style-type: none"> One full-time external member of the Audit & Supervisory Board President Part-time external members of the Audit & Supervisory Board 	—
Remuneration		<ul style="list-style-type: none"> Three external directors President One full-time external member of the Audit & Supervisory Board 	<ul style="list-style-type: none"> Performance evaluation of directors and executive officers Discussion of the appropriateness of incentive remuneration Discussion of the appropriateness of fixed remuneration Discussion of performance evaluation by non-financial indicators

Successor Planning Committee

The Company has in place the Successor Planning Committee, mainly comprising external officers, as an organization for selecting successor candidates for the president, directors, and executive officers and deciding on measures for their development. The Council is chaired by external director Ryoko Sugiyama. The committee

references objective information such as external organization assessment results for the successor candidates and selects successor candidates for the president, directors, and the executive officers, as well as setting the development measures for the successor candidate for president and directors, and reports these to the Board of Directors.



(Fiscal year ended March 31, 2022)

Fulfilling the Function of the Audit & Supervisory Board Members

In the fiscal year ended March 31, 2022, the Audit & Supervisory Board held 11 meetings, which were attended by all members of the board. Key matters considered and discussed by Audit & Supervisory Board members included the formulation of audit policies and plans, the preparation of audit reports, selection of the Accounting Auditor, remuneration for the Accounting Auditor and details of proposals to be presented to the Annual General Meeting of Shareholders. The Board developed and implemented audit plans targeting priority areas, such as the internal control system (including internal control over financial reporting), the development and implementation of the risk management system and audits of progress regarding priority measures in business plans.

Cooperation with the Accounting Auditor, the Internal Auditing Department and External Directors

In regular meetings between the president and all members of the Audit & Supervisory Board, the president provides details about the Company's management policy, growth strategies, business issues and other topics, while members of the Audit & Supervisory Board provide recommendations based on audit activities. The members of the Audit & Supervisory Board also hold regular meetings with the Accounting Auditor to confirm the independence of the Accounting Auditor, verify the performance of their duties and discuss and exchange opinions about accounting audits. Regular meetings are also held with external directors to exchange opinions about the Company's business management in general.

The Audit & Supervisory Board discusses internal audit plans with the Internal Auditing Department in charge of internal audits of the Company and exchanges opinions with them about audit results and evaluations of internal control over financial reporting, risk

management, etc. The Internal Auditing Department conducts internal audits of the Company and Group companies to identify any issues related to business execution or other problems and submits reports to the president about areas that require improvement.

Participation in Key Meetings and Inspections of Group Companies

Full-time members of the Audit & Supervisory Board attend meetings of the Board of Directors, Executive Committee, the E&S Committee and other important meetings, and audit business execution by the directors and oversight duties of the Board of Directors. In addition, they conduct audits of key management departments and carry out field audits of business sites and Group companies to verify the asset position of the entire Kurita Group and the development and operation of the internal control system by directors at Group companies. Full-time members of the Audit & Supervisory Board share information from meetings of the Executive Committee and other key meetings and the details and results of audits and field audits with the part-time member of the Board on a timely basis. In addition, the part-time member of the Audit & Supervisory Board proactively provides opinions during meetings of the Board of Directors and during regular meetings with the president, drawing on their legal expertise and background.

Onsite audits of overseas affiliated companies scheduled for the start of the fiscal year were cancelled due to the COVID-19 pandemic. However, as an alternative, appropriate audits of the sites were conducted through online meetings and other methods. Business reports, financial documents and other materials were also appropriately audited through wider use of online meetings and electronic files.

Experience, Capability, and Knowledge of the Audit & Supervisory Board Members

Name	Experience, Capability, and Knowledge	Attendance (Fiscal year ended March 31, 2022)	
		Board of Directors' meetings	Audit & Supervisory Board meetings
Kenjiro Kobayashi <i>External member of the Audit & Supervisory Board</i> <i>Independent officer</i>	Mr. Kenjiro Kobayashi has been active in different fields to those of the Kurita Group's businesses and has high expertise in the areas of finance, management planning, new business development, M&As, etc., along with a wealth of international experience.	12 / 12	11 / 11
Yukihiko Mutou	Mr. Yukihiko Mutou has held important positions in the Administrative Division. He possesses a wealth of knowledge and experience in the areas of finance, accounting, and management.	12 / 12	11 / 11
Toshiaki Tada <i>External member of the Audit & Supervisory Board</i> <i>Independent officer</i>	Mr. Toshiaki Tada has special knowledge as well as a wealth of experience and deep insight into corporate legal affairs as an attorney who has worked in Japan and overseas.	12 / 12	11 / 11

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates its effectiveness every year in order to fulfill its expected roles and functions more effectively.

Evaluation Method

The evaluation is carried out via a written survey with each of the respondents identified. Following a discussion using the aggregated results, the Board of Directors evaluates its effectiveness, identifies problems, designates issues to be addressed and establishes measures. These matters are then adopted by a resolution of the Board. The survey is revised each fiscal year based on the results of the previous year's survey.

Evaluation Method	<ul style="list-style-type: none"> Self-Evaluation This evaluation was conducted via a written survey, with each of the respondents identified. Following a discussion using the aggregated results, the Board of Directors evaluated its effectiveness, clarified issues and adopted measures for the future.
Evaluation items	The following six themes were evaluated 1) Roles and responsibilities of the Board of Directors 2) Fulfilling the function of external directors 3) Composition of the Board of Directors 4) Operation of the Board of Directors 5) Contributions of individual directors and members of the Audit & Supervisory Board 6) Dialogue with shareholders
Evaluation period	January to December 2021

Evaluation Results

According to the evaluation results for January to December 2021, the average self-evaluation of all directors and members of the Audit & Supervisory Board was generally good in all six areas, indicating that the Board of Directors is operating effectively. By category, "operation of the Board of Directors" was most highly evaluated as in the previous year. This was followed by "contributions of individual directors and members of the Audit & Supervisory Board." However, in the "roles and responsibilities of the Board of Directors" category, items related to the building and monitoring of the DX promotion structure and "dialogue with shareholders" received relatively low valuations compared with other items.

In addition, in the discussions in the Board of Directors meetings, external directors pointed out that the discussion in the E&S Committee, the DX Committee, and other committees was understood to be meaningful in execution; however, the issue was raised that more ideas are needed regarding how to utilize the discussion in the committees in supervision of management by the Board of Directors.

Issue

To increase the quality of dialogue with shareholders and investors with a view to increasing corporate value, it is necessary for the constituent members of the Board of Directors to be even more conscious of external viewpoints as they execute their duties.

Measures

Through the following measures, the Company has improved the nature and quality of its constructive dialogues with shareholders and investors.

- Personnel assigned to handle dialogue with shareholders and investors shall be selected from a wide range of personnel based on their areas of expertise and the businesses under their supervision. The Company will enhance systems for sharing the results of these dialogues with all constituent members of the Board of directors, which shall have stronger involvement in IR and SR activities.
- The constituent members of the Board of Directors shall identify issues having accurately comprehended the requests and expectations of shareholders and investors regarding the Company and the status of the Company, and make their own proposals to deepen discussion at the Board of Directors.
- The Board of Directors shall request special committees to provide reports on important themes that should be considered by the Board of Directors, then discuss these themes based on the expectations of shareholders and investors regarding the Group, to make policies on them.

Status of Initiatives to Tackle Issues Raised in Previous Evaluation Results

The Company took the following measures regarding the issue raised in the previous fiscal year's evaluation result: "To accelerate business model transformation and business process reforms using DX, the Board of Directors needs to increase its involvement."

- The DX Committee oversees DX promotion for the entire Group, appropriately confirming the progress and results of customer value creation projects and the Meta-Aqua Project, etc., as well as building a structure for mutual coordination between the Digital Strategy Division and the CDO Office.
- The Board of Directors receives regular reports from the DX Committee and supervises the status of DX initiatives in general. Furthermore, the external directors participate as observers in the DX Committee to comprehend the status of activities. As an initiative to support the supervisory function, regular study sessions on DX are held for all of the constituent members of the Board of Directors to cultivate their deeper understanding of DX.

Remuneration for Directors and Members of the Audit & Supervisory Board

Remuneration for directors and members of the Audit & Supervisory Board of the Company is determined in accordance with the following basic policy.

- The remuneration paid to Directors and members of the Audit & Supervisory Board is designed to attract and retain talented people with diverse skills, experience, etc., to help realize the corporate philosophy.
- The Company intends that remuneration be linked to business performance and medium- to long-term corporate value in order to function as a sound incentive for sustainable growth.
- The Company ensures the objectivity of decisions on remuneration and the remuneration decision-making process be highly transparent. The Company's remuneration system for directors excluding external directors is composed of fixed remuneration as base remuneration, and incentive remuneration linked to business results. External directors and members of the Audit & Supervisory Board, who perform oversight functions, receive only fixed remuneration.

Amounts of fixed remuneration are decided for each job title in the case of directors and for each work arrangement in the case of members of the Audit & Supervisory Board. A portion of the remuneration is appropriated for the directors' and Audit & Supervisory Board members' Shareholding Scheme to purchase the Company's shares so that directors and members of the Audit & Supervisory Board share the risk of stock price fluctuation with shareholders.

To provide an incentive to directors (excluding external directors) to continuously increase corporate value, the Company provides short-term and long-term incentive remuneration. Short-term incentive remuneration consists of remuneration linked to consolidated performance, remuneration linked to the results of operations overseen by each director, and remuneration related to other contributions. The performance indicator for remuneration linked to consolidated performance uses the level of attainment of the

consolidated operating profit target. For remuneration linked to the results of operations overseen by each director, the applied performance indicators are the differences between actual results and plan targets for consolidated return on equity (ROE) and for consolidated business profit margin. For remuneration related to other contributions, the applied performance indicators include the implementation of large investment projects and other developments not reflected in performance for the relevant fiscal year, such as enhancing the quality of the corporate structure and M&A deals. Furthermore, with the aims of accelerating business operations designed to provide social value and increasing corporate value through the realization of social value, the Company has newly clarified the evaluation perspective of "degree of achievement of planned customer water saving amount, customer CO₂ emissions reduction amount, and customer waste reduction amount associated with CSV business." For the long-term incentive remuneration, the Company has introduced a performance-linked stock compensation program under which points are awarded according to business performance and job title during the term of office, and shares of the Company are granted at the time of retirement in an amount corresponding to the number of accumulated points. Profit attributable to owners of parent is used as the performance indicator for long-term incentive remuneration.

The system and level of remuneration and the performance evaluation of directors are adopted by resolution of the Board of Directors after consulting in advance with the Nomination & Remuneration Advisory Council. Based on reports provided by the Nomination & Remuneration Advisory Council, the Board of Directors decides the allocation of remuneration of the directors within the total amount determined by the Annual General Meeting of Shareholders. The allocation of remuneration for each member of the Audit & Supervisory Board is adopted by resolution of the Audit & Supervisory Board.

Remuneration System for Directors and Members of the Audit & Supervisory Board

Payment Ratio of Base Remuneration and Incentive Remuneration (Average)

Base remuneration	Performance-linked remuneration		Total	
	Of which, payment to shareholding scheme	Short-term incentive remuneration		Long-term incentive remuneration
50%-90%	10%-20%	0%-30%	10%-20%	100%

Remuneration for Directors and Members of the Audit & Supervisory Board

Total amount of remuneration, etc., for each officer classification, total amount by type of remuneration, etc., and number of eligible officers (Fiscal year ended March 31, 2022)

Officer classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration by type (millions of yen)			Number of eligible payees for base remuneration
		Base remuneration	Performance-linked remuneration	Amount of nonmonetary remuneration, etc., in performance-linked remuneration	
Directors (excluding external directors)	388	208	179	43	7
Members of the Audit & Supervisory Board (excluding external members)	34	34	—	—	1
External officers	89	89	—	—	6

Corporate Governance

Dialogue with Shareholders and Investors

The Kurita Group respects the interests of shareholders in management and strives to listen to its shareholders and investors and promote constructive dialogue with them in order to contribute to increasing medium- to long-term corporate value. In communicating information, the Company emphasizes fairness and transparency. The materials and summary of the Q&A sessions of the Company's presentation meetings are posted on Kurita's investor relations website to ensure fair information disclosure.

IR Activities

The Group strives to secure opportunities for dialogue with institutional investors in Japan and overseas and individual investors in Japan through various presentations and individual meetings. The president and the executive general manager of the Corporate Control and Administration Division are the main speakers at the financial results briefings. The executive general manager of the Corporate Control and Administration Division is responsible for routine dialogue and works with personnel responsible for IR and CSR activities. In the fiscal year ended March 31, 2022, following the pandemic, although the Company avoided holding overseas IR roadshows and briefings for shareholders

held after the Ordinary General Meeting of Shareholders, it increased the number of dialogue opportunities using phone meetings and web conferencing, conducting around 250 dialogues in total. The Company also held an ESG Briefing again this year, after holding one last year.

IR Activities in the Fiscal Year Ended March 31, 2022

Dialogue events		Number of events
Institutional investors (including shareholders)	Financial results briefings	4 times
	Small group meeting	1 time
	Individual meeting	Total approx. 250 times
	ESG briefing	1 time
Participation in conferences held by securities companies		3 times
Individual investors (including shareholders)	Letter to Shareholders	1 time

Communication with People Responsible for Exercising Voting Rights

The Company is working to increase opportunities for dialogue with institutional investors responsible for exercising voting rights to listen to their opinions and use them to improve management. In the fiscal year ended March 31, 2022, personnel responsible for SR, IR, and CSR activities had meetings with major investors in Japan and overseas 17 times to hear the voting policies of institutional investors and to exchange opinions on improving the Group's management and

corporate governance. The opinions and requests of institutional investors were swiftly relayed back to management.

Furthermore, the Company strives to increase convenience in exercising voting rights by providing English translations of convocation notices and corporate governance reports and advance disclosure of convocation notices prior to sending them out, among other measures.

Shareholdings of Other Listed Companies

The Company holds shares of other listed companies to strengthen business relationships. We verify the economic rationale for mutual shareholdings by comparing expected gains based on capital cost and gains from holding the shares. We also examine the relationships with companies whose shares the Company holds by carefully examining

our transaction histories with them. Based on the results of this examination, the Board of Directors reviews the appropriateness of holdings periodically and at other times as necessary, and reduces the number of shares held. Funds gained from the sale of the shares are allocated to capital investment and M&As.

Policy	<ul style="list-style-type: none"> In some cases, the Company holds shares of other listed companies to strengthen business relationships, etc. When holding such shares, the Company makes efforts to minimize the risk of holding the shares. The rationale for holding each stock is reviewed on a regular or timely basis by the Board of Directors. Based on the results of the examination, the Company works to reduce the holding of shares of other listed companies. The Company exercises voting rights for each proposal based on whether it will contribute to an increase in shareholder value. If a shareholder indicates its intention to sell the Company's shares, the Company will not prevent the shareholder from making such sale, etc. 	
Review of shareholdings	Frequency	<ul style="list-style-type: none"> Once a year or as necessary
	Standard	<ul style="list-style-type: none"> Total of operating profit and dividends received is less than expected return for five consecutive years An improper incident occurs, etc.
Record of sales	Fiscal year ended March 31, 2021	<ul style="list-style-type: none"> 4 of 26 stocks (includes partial sales of 2 stocks)
	Fiscal year ended March 31, 2022	<ul style="list-style-type: none"> 4 of 24 stocks (includes partial sales of 2 stocks)

Messages from External Directors



Ryoko Sugiyama
External Director

Increasing Corporate Value by Promoting Sustainability

Amid growing demands for companies to engage in sustainability, the Company has made CSR management a core priority, setting water, CO₂ and waste as materiality issues in its CSR Policy, and establishing quantitative medium-term targets. To achieve these, the Company has defined products, technologies or business models that make significant contributions to water-savings, CO₂ emissions reduction and waste reduction compared

with previous levels as "CSV businesses," and has included the achievement rate of customers' environmental impact reduction plans as an aspect for evaluating directors' compensation. I expect these kinds of progressive initiatives to be strengthened, and as an external director, I will deepen the discussion around sustainability in the Board of Directors and contribute to increasing corporate value.

Preparing a More Flexible Organization and Embedding Diversity

Diversity continues to be an important theme. As the Company advances globally, I believe that non-Japanese directors will also be needed, and with regard to the ratio of women in the Board of Directors, while there are two including myself, rather than being satisfied that the ratio is increasing, I think the Company should look to develop internal female personnel as executive officers and then as directors.

In my previous positions I have seen numerous business breakthroughs due to diversity that would have been unthinkable before that, giving me a firsthand experience of how effective diversity is. I would like to speak up proactively with proposals and opinions as an external director so that many people at the Company can have the same experience that I have had.



Keiko Tanaka
External Director



Kenichiro Kamai
External Director

Strengthening the Role of Head Office as a Global Headquarters

I have been observing the Company as an external director for one year now, and I have the impression that the Company is very seriously engaged in strengthening its corporate governance. Moreover, at the E&S Committee and DX Committee, we exchange opinions directly without regard for seniority, and the wonderful result of these rich discussions is that the entire Group is aligned along the same vector.

Meanwhile, as the Company's globalization continues, I have felt that there is a lingering issue with the Company organizing the affiliated companies as a global headquarters, and there is a need to make improvements by using other companies as benchmarks. As an external Director, I will focus on this issue, providing hard opinions when necessary in order to assist management.

Making Forward Strides with the Courage to Make Changes, and to Change Ourselves

I have been newly appointed as an external director. In this era, we are experiencing a large number of unexpected events, with new challenges emerging one after another, requiring companies to adapt to change more and more. In this situation, to ensure that the Company will continue to play a necessary role in society in the future, it must respond flexibly to changes in society and contribute solutions to issues faced by customers and society even faster

than ever before. By demonstrating the ability to respond to society and sharing knowledge and providing mutual assistance between divisions with an open mind, we will strive to swiftly meet the challenges of the times.

By exercising the courage to make changes and to change ourselves, we aim to realize further progress together.



Masahiro Miyazaki
External Director

Risk Management

Basic Concept

The Kurita Group defines risk as any event that makes its sustainable growth and enhancement of the Group's corporate value uncertain. Because the Group's decision-making tends toward risk avoidance, we are working to prevent missed opportunities for business growth by

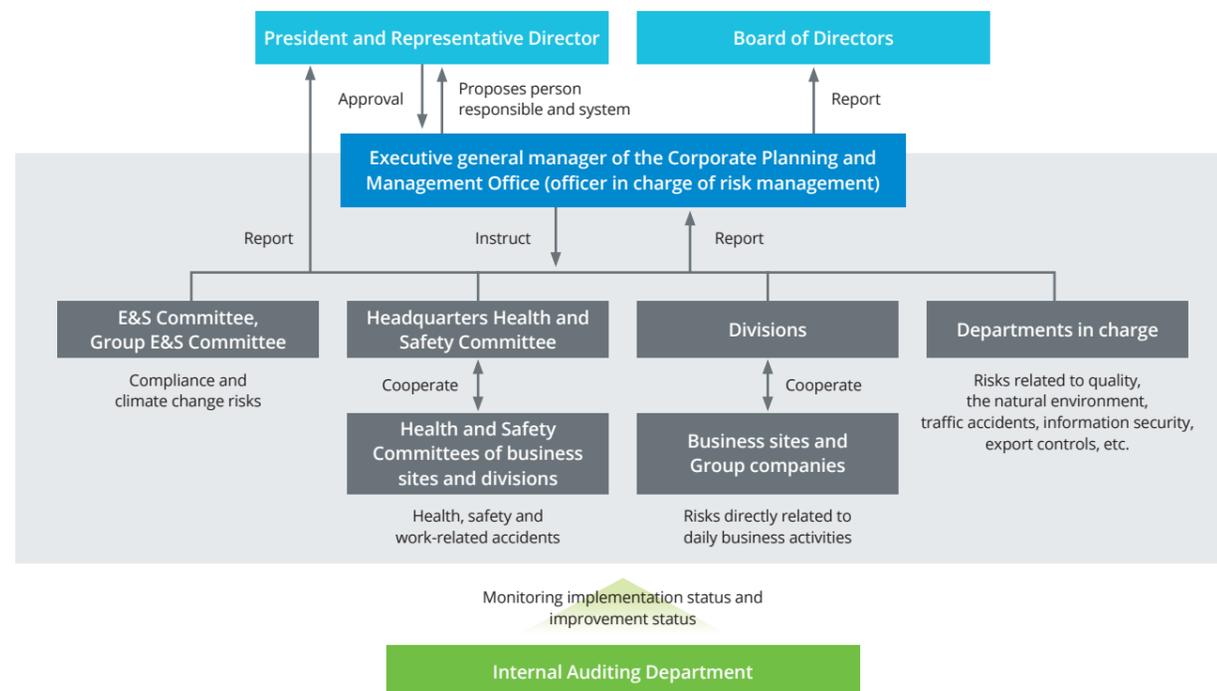
clarifying risks that should be taken for the sake of sustainable growth and enhancing corporate value while implementing appropriate measures to reduce losses.

Risk Management System

The executive general manager of the Corporate Planning and Management Office is responsible for monitoring risks and implementing risk management in the Kurita Group. The executive general manager regularly analyzes and evaluates the Group's risks and conducts ongoing monitoring based on the Group-wide risk map, as well as takes steps to prevent risks from occurring. In the event of a risk that could have a serious impact on Kurita's business, the executive general manager formulates systems with those responsible for responding to the risk, obtains approval from the president and the representative director, and immediately issues instructions. Those responsible for responding to the risk promptly take action and report to the president and the representative director and the executive general manager of the Corporate Planning and Management Office regarding the impact of the risk, progress with mitigation and measures to prevent reoccurrence. The chairperson of the E&S Committee is responsible for tackling material risks related to compliance and climate

change, while the chairperson of the Headquarters Health and Safety Committee is responsible for material risks related to health, safety and work-related accidents. The executive general manager of each division is responsible for responding to risks directly associated with day-to-day business operations, and each division identifies and evaluates risks related to the operations and Group companies it is in charge of. Also, responding to risks relating to quality, the natural environment, traffic accidents, information security, export controls, and so on are handled by the respective departments responsible. The executive general manager of the Corporate Planning and Management Office, the chairperson of each committee and the executive general manager of each division report periodically to the Board of Directors on the status of risk management implementation, and report as necessary to the Board of Directors on the occurrence and impact of material risks. Furthermore, the Internal Auditing Department monitors the execution status and improvement status of risk management measures.

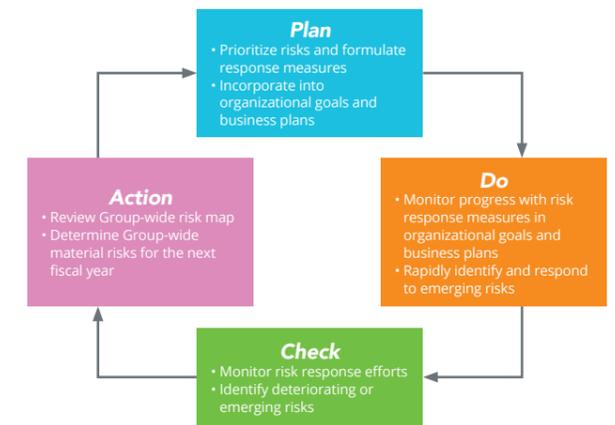
Risk Management System



Identifying Risks and Formulating Response Measures

The Kurita Group uses a Group-wide risk map to identify potential risks in its business activities and assess risks against monitoring benchmarks. The Kurita Group also determines material risks for the Group based on the expected impact of those risks and the likelihood of them occurring. Material risks are mapped for each division, and divisions devise response measures, incorporate them into business plans and manage progress, including at Group companies. Progress is regularly reported to the Board of Directors, which discusses and formulates material risk and response measures for the next fiscal year, including responses to emerging risks caused by changes in the operating environment. In the fiscal year ending March 2023, among high-impact risks with a strong chance of materializing, country risk, including the impact of U.S.-China trade friction and conflict, and disaster risks, including the COVID-19 pandemic, which shows no sign of subsiding yet, are being classified as risks requiring close monitoring, and we are planning to strengthen our response to them.

Risk Management PDCA Cycle



Groupwide Risk Map

Risk category	Main risks	Report section/information related to response measures
Operating environment risk	<ul style="list-style-type: none"> Contraction in existing markets due to customers reducing factory operating rates and reining in capital investment Decline in prices for products and services due to intensifying competition Decline in profitability and slowdown in business growth due to spikes in prices for raw materials and energy costs as well as supply chain disruptions Decline in yen translation amounts due to changes in exchange rates and other factors Decline in profits following the introduction and increase of carbon tax on CO₂ emitted by the Kurita Group's facilities and products, etc. 	<ul style="list-style-type: none"> Interview with the President P.10-16 The Kurita Group's Businesses P.26-45 Climate Change P.70-71
Country risk	<ul style="list-style-type: none"> Risk of loss of business opportunities and inability to recover investments due to changes in regulatory frameworks and abrupt political and economic changes in Kurita's markets Human losses and loss of business opportunities due to conflict, terrorism, violence, and heinous crime 	<ul style="list-style-type: none"> The Kurita Group's Businesses P.26-45
Disaster risk	<ul style="list-style-type: none"> Human losses and loss of business opportunities caused by pandemics Human losses and loss of business opportunities caused by natural disasters including those caused by climate change 	<ul style="list-style-type: none"> BCM P.60-61 Climate Change P.70-71
Strategic risk	<ul style="list-style-type: none"> Failure to attain goals in medium-term management plan due to delays with organizational reforms, business restructuring Slow pace of business expansion caused by delays with launching new businesses, executing growth strategy Delays with developing businesses matched to customer needs and characteristics of each country/region Failure to remain competitive in water treatment market due to delays with introducing IT and building digital businesses 	<ul style="list-style-type: none"> Interview with the President P.10-16 Medium-Term Management Plan P.20-21 The Kurita Group's Businesses P.26-45
Business risk	<ul style="list-style-type: none"> Failure to provide competitive products, services or solution models in a timely manner Claims for damages and additional costs due to defects or deficiencies in products or services Loss of competitiveness due to outflow of technical expertise Slowdown or lack of progress with improving the profitability of overseas businesses driving the Kurita Group's growth Accidents/injuries in the Group's businesses 	<ul style="list-style-type: none"> The Kurita Group's Businesses P.26-45 Information Security Management P.61
Financial risk	<ul style="list-style-type: none"> Loss of public trust caused by inadequate internal controls related to financial reporting Deterioration in profitability or cash flow due to poor management of Group companies Write-down of goodwill caused by weak earnings at acquired companies 	<ul style="list-style-type: none"> Financial Strategy P.17 Basic Policies for Constructing an Internal Control System —
Labor risk	<ul style="list-style-type: none"> Health issues caused by long working hours Decline in ability to adapt to changes in operating environment due to insufficient diversity initiatives 	<ul style="list-style-type: none"> Human Resources Management P.62-67
Legal and compliance risk	<ul style="list-style-type: none"> Loss of public trust due to legal or compliance violations and information breaches Infringement of intellectual property rights 	<ul style="list-style-type: none"> Compliance P.72-73 Utilization of Intellectual Property P.33

• The above table is not an exhaustive list of the Kurita Group's risks.
 • Please click on the link below for more details about risk factors related to the Group's business conditions, financial accounts and other items in the Annual Securities Report that could have a material impact on investor decisions.

[Business Risks and Other Risk Factors https://ir.kurita.co.jp/en/corporate_governance/risk_factors/index.html](https://ir.kurita.co.jp/en/corporate_governance/risk_factors/index.html)

Risk Management

Business Continuity Management (BCM)

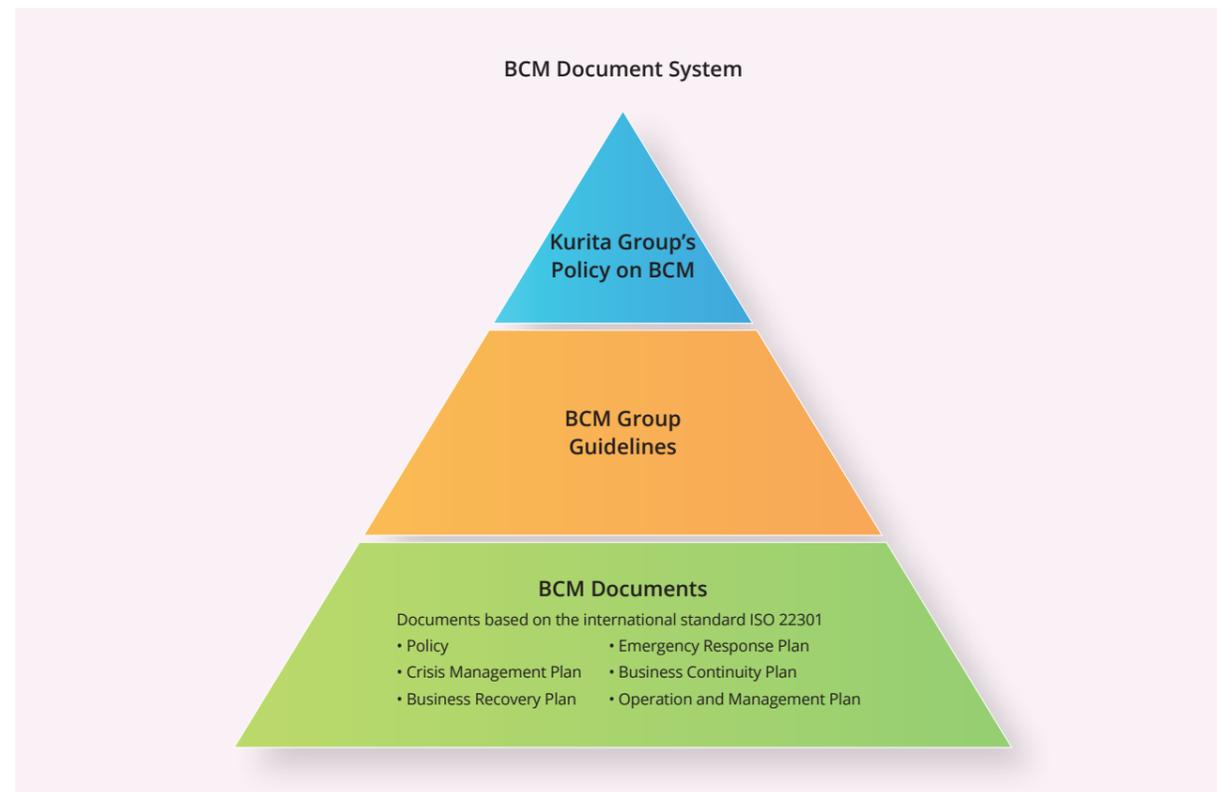
Approach and System for BCM Activities

The Kurita Group is taking steps to prepare for sudden unexpected events such as a major earthquake, natural disaster, or pandemic from the perspective of both “ensuring employee safety” and “business continuity.” We have established an order of priority for business and standards for decision making and action when an event occurs, as well as response policies, procedures, systems, and so forth. In addition, during normal times we engage in management activities, such as formulating, maintaining, and updating plans in preparation for states of emergency, securing budgets and resources, implementing countermeasures, and conducting education and training, as well as inspections and so forth.

The Kurita Group's Policy on BCM was formulated in 2018 and sets out a basic policy which stipulates that the first priority if an event occurs is ensuring the safety of employees' lives, and having ensured their safety, the Company is to work to quickly recover business operations and support local communities. To guide officers and employees to take appropriate decisions and actions if an event occurs, the Company has also prepared a system of documentation comprising the Kurita Group's Policy on BCM, the BCM Group Guidelines, which complements the policy, and BCM Documents based on the framework of the international standard for BCM, ISO 22301. The Company started implementing the system in the fiscal year ending March 31, 2023.

BCM Basic Policy

Highest Priority on Ensuring the Safety of Humans	Early Recovery of Business	Community Support
We will place highest priority on ensuring the peace of mind and safety of the officers and employees as well as their family members.	We will endeavor to quickly restore operations at the company's own facilities, completed properties and properties under construction, etc. In this way, we will make efforts to supply products and services in a stable manner and to support customers' recovery efforts.	While making efforts to prevent secondary disasters at its own sites, we will support the reconstruction of the local community.



Initiatives to Strengthen BCM Activities

The Group's BCM activities to date have mainly focused on initiatives for ensuring employee safety and disaster countermeasures at manufacturing sites. From the fiscal year ended March 31, 2021, we have established a new approach to the order of priority and items to be implemented for business continuity based on the international standard ISO 22301 framework, and we have been working to rebuild and strengthen our BCM functions.

In the fiscal year ended March 31, 2022, we took steps to increase the quality and speed of communications in our initial response to an incident by redefining the information on the disaster status that needs to be gathered for determining the establishment of a Disaster Response Headquarters and the reporting structure. From a perspective of business continuity, we surveyed customers involved with social infrastructure and customers to whom we supply ultrapure water regarding their level of expectation for the Group's restoration of operations after an event, and developed an “event response model” for each customer, specifying a vertically integrated response procedure for sales, engineering, Group companies, and partner companies and the necessary resources.

To ensure the safety of the Company's employees and strengthen its initial response capabilities, we aimed to increase each employee's knowledge and awareness of disaster readiness by conducting online visual disaster readiness training for all employees to prepare for a disaster occurring while they are working at home. We also conduct regular safety reporting training based on the scenario of a major earthquake, or storm and flood damage, and took steps to establish rapid initial response activities.

In the fiscal year ended March 31, 2023, we will work to establish the operations of the BCM Documents and increase their effectiveness by promoting internal awareness of the BCM Documents and conducting education and training by position and job type. We will also define the scope of deployment for the event response model for each customer and expand our initiatives. Furthermore, to improve business continuity functions throughout the supply chain, we will strengthen initiatives for rapid recovery of our own manufacturing sites and links with partner companies.

Overseas, we will share BCM Documents formulated in Japan with our Group companies and formulate BCM Documents to address the inherent risks and business characteristics of each country and region by conducting local surveys. We will also work to establish a global reporting system to use when an event occurs.

Response to the COVID-19 Pandemic

The Group aims to respond as a Group to risks arising from people voluntarily staying at home and office attendance being restricted due to the spread of COVID-19; for example, reduced operating efficiency, delays in business model development, and stagnation in business activities (order reception, manufacturing and supply). The Group has built backup systems for the case in which an executive involved in business execution or a manager responsible for a business division contracts COVID-19, and we have also established reporting channels for Group companies through which we work to quickly gather accurate information. In addition, we have defined work processes in each organization that ensure business continuity for customers and the Group, or that meet societal requirements, as operations essential for

continuity and implemented backup systems for the case in which employees of the Group or partner companies involved in these processes contract COVID-19. We are working to reduce the risk for pharmaceutical manufacturing and the ultrapure water supply business by adopting a team structure for operations. Moreover, we created COVID-19 Guidelines that contain transmission prevention measures and response flows for all employees if someone is feeling unwell and raised awareness of them at all Group companies. We have also formulated the Future Workstyle Policy, aimed at establishing new workstyles that leverage the respective characteristics of physical attendance and remote working, and we aim to promote this internally for all employees.

Information Security Management

Information security incidents are increasing recently, and security management in business activities is becoming increasingly important. The Group has documented information security management in its “Kurita Group Information System Management Policy.” Group companies immediately report to headquarters in the event of any system faults that could impact business activities or incidents such as

information leaks. The IT-related division regularly evaluate IT risks (such as information leaks, tampering, and service stoppage due to cyberattacks) and put in place countermeasures such as installing software and restricting internet access to protect the data provided by customers. We also conduct regular information security education and training on targeted email attacks for all Group employees.

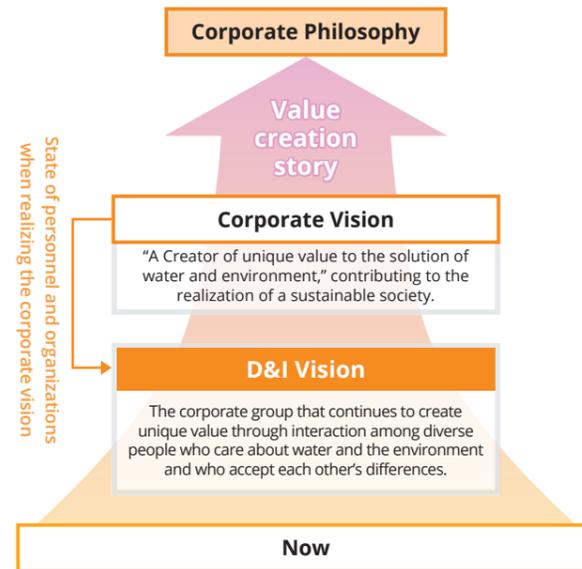
Human Resources Management

Basic Concept

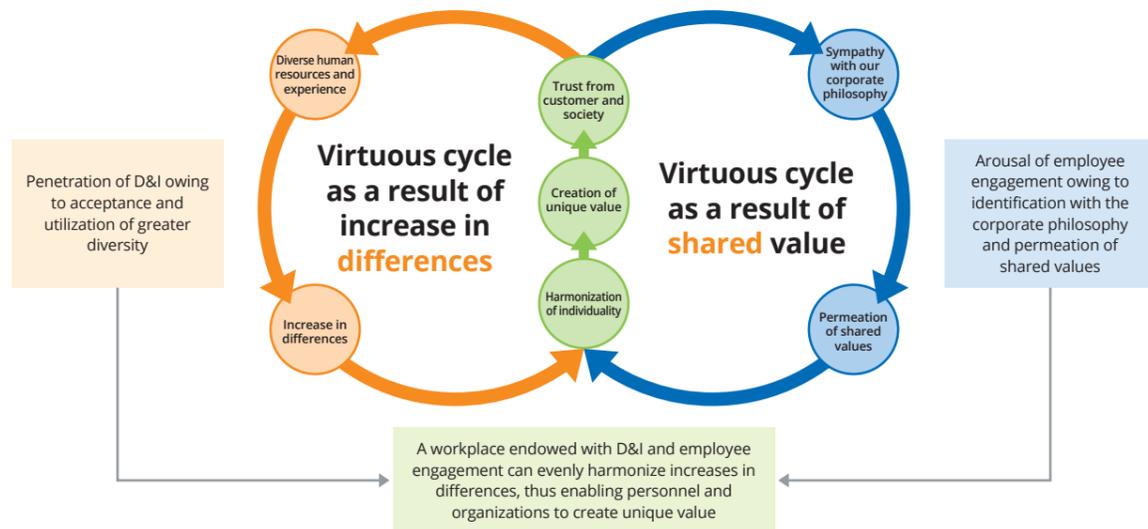
We consider human resources to be the very source of the Kurita Group's sustainable growth, which is why we continue to implement organizational and personnel-related initiatives in line with our Diversity & Inclusion (D&I) Vision and Human Resources (HR) strategy. These two policies are linked to our business strategy and guided by our value creation story.

D&I Vision

Our D&I Vision in terms of the state of personnel and organizations when realizing our corporate vision is to be a "corporate group that continues to create unique value through interaction among diverse people who care about water and the environment and who accept each other's differences."



Schematic flywheel representation of D&I Vision

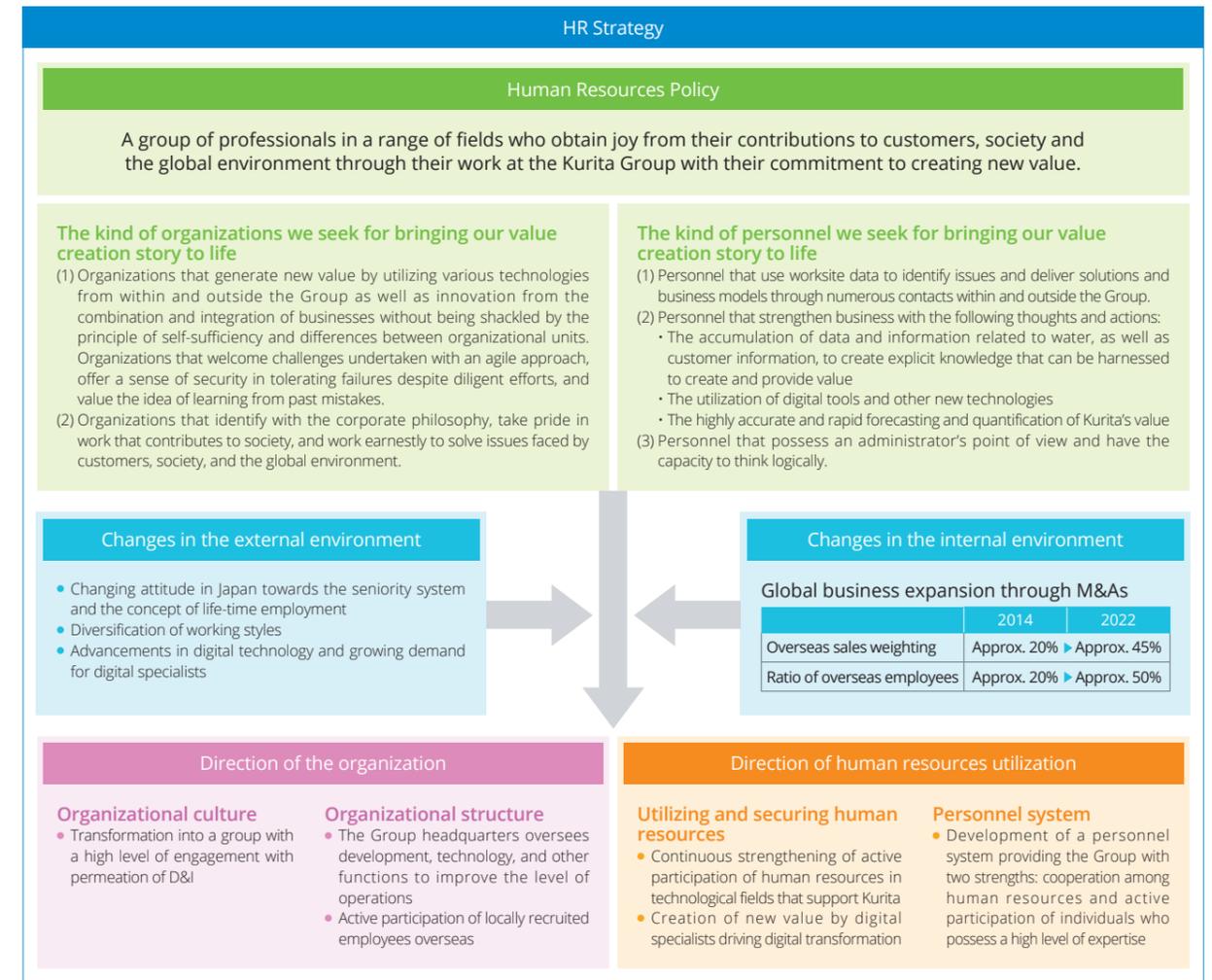


HR Strategy

Through the realization of our D&I Vision, we are formulating an HR strategy with which our organizations and personnel can give shape to our value creation story.

The HR strategy comprises a human resources policy and an underlying course of action. The former is arranged around the kinds of organizations and personnel described in our strategic

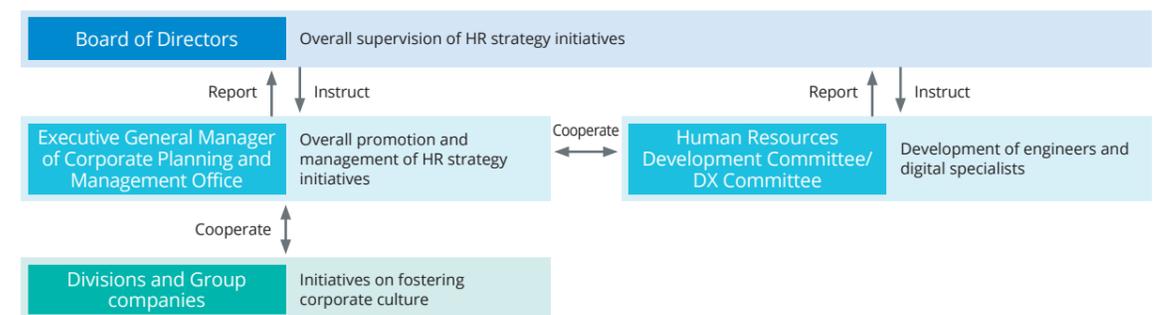
story—which is the basis of our value creation story—and represents our basic policy on the values, thoughts, and actions required of Kurita Group employees. To this we add the changes in the Group's internal and external environments, while our approach to initiatives is organized into a course of action for both organizations and human resources utilization.



Framework

HR strategy initiatives are carried out under the supervision of the Board of Directors, while overall management of the initiatives is the responsibility of the general manager of the Corporate Planning and Management Office. Measures aimed at fostering corporate culture are

implemented in cooperation with each division and Group company and measures for nurturing and utilizing human resources are deployed in collaboration with the Human Resources Development Committee and the DX Committee.



Human Resources Management

Fostering Corporate Culture

In the fiscal year ended March 31, 2022 we endeavored to instill an awareness and understanding of D&I among all employees in order for the Kurita Group to transition to a highly engaged group in which D&I is well entrenched. By providing opportunities for employees to think about and discuss D&I and innovation in their own organization, we not only gained an understanding of the state of D&I in each organization, but it let us commence the construction of a platform under which diversity can be accepted and fully utilized. We also took steps to further D&I understanding among employees by broadcasting messages from the general manager of each division about the significance of addressing D&I in the Group's bulletin, along with information about our D&I Vision and HR strategy. In the fiscal year ending March 31, 2023, we decided on a list of nine recommended actions for putting the D&I Vision into practice. These actions are currently being used to promote the D&I Vision at domestic and overseas Group companies.

<p>Training and workshop for managers</p> <ul style="list-style-type: none"> Attended by 256 managers Understanding D&I and unconscious bias, and driving the creation of conditions more conducive to cooperation by breaking down barriers between organizations through dialogue among managers as a way of putting behavioral changes into practice
<p>Workplace discussion</p> <ul style="list-style-type: none"> Held by 212 departments Discussing the relationship between D&I and innovation in the workplace and gauging the D&I situation in each division
<p>Group bulletin</p> <ul style="list-style-type: none"> Broadcasting of D&I video messages from division GMs 

Nine recommended actions



Be aware of unconscious bias and pay attention to diversity



Create a psychologically safe workplace



Praise the achievements of colleagues and appreciate their efforts



Learn, take action, and grow autonomously



Interact with all kinds of people without falling victim to differences of opinion



Be unafraid to take risks and embrace challenges agilely



Understand the vision



Enhance one's sense of self-affirmation



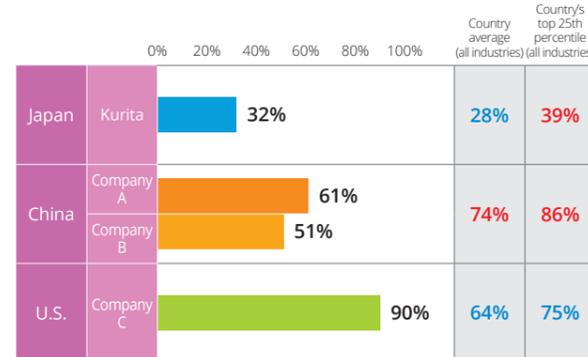
Share your D&I accomplishments

Employee Engagement Survey

We previously used a so-called "happiness and well-being survey" to get an idea of employee engagement*, but in the fiscal year ended March 31, 2022 we switched to using an engagement survey because it more readily detects improvement measures. The first iteration of this survey was conducted at Kurita and three overseas Group companies. We are currently rolling out measures aimed at improving engagement in light of the characteristics of each company and organization based on the survey answers and a total of 2,706 comments received from 96% of survey participants.

* The relationships between employees and company/organizations, and between employees and their work. It is thought that when these relationships are strong and healthy, employees tend to voluntarily go about their work with enthusiasm and ambition, which gives rise to a virtuous cycle that contributes to the company and its organizations.

Engagement scores (percentage of people strongly engaged)



* Blue = The Kurita Group's percentage is higher.
Red = The Kurita Group's percentage is lower.

Reinforcing Connections to the Group's Vision

As we set our sights on enhancing corporate value through the creation of social value, in the fiscal year ended March 31, 2022, we incorporated, on a trial basis, the non-financial indicators of water savings, CO₂ emission reductions, and waste reductions at customer sites by way of our CSV business into the performance evaluation of officers and employees in our business divisions so that employees can take greater pride in working for the Kurita Group by realizing that what they do is making a difference in society. From the fiscal year ending March 31, 2023, the adoption of these non-financial metrics in performance evaluations will be expanded to all Company directors and executive officers that receive performance-linked remuneration, as well the representatives of some Group companies.

Ensuring Diversity

We seek to have employees of all walks of life, irrespective of gender, nationality, age, disability, employment history, working style (contract type and terms of employment), or experience, make full use of each other's experience, knowledge, and skills to spark innovation with a view to realizing our corporate philosophy. Managers and employees in leadership roles are also actively working to ensure diversity in the Company.

Appointing Female Managers

With the aim of empowering women in the workplace, we have established the following targets.

- As of April 2023: Female manager ratio of at least 5% and a 30% ratio of new female graduates hired for career-track positions
- FYE March 31, 2028: Female manager ratio of around 10% and a 30%–40% ratio of women hired (new graduates/mid-career) for career-track positions

So that female employees with aspirations of becoming a manager can dispel concerns and doubts about balancing childcare duties with a promotion or managerial appointment, in the fiscal year ended March 31, 2022 we organized online meetings to hear senior female employees share their own personal experiences. A total of 93 people participated across four sessions. In the fiscal year ending March 31, 2023 we intend to implement initiatives targeting the line managers of female employees and female employees waiting to be promoted to a management position or transferred to a specialist skills program.

Comments from Participants

- I think the participants of this meeting will not only benefit from the tips given by the speakers, but they can potentially become mutual supporters in the workplace that come together to talk and offer advice about balancing work, home duties, and childcare.
- There is a growing awareness that the number of women in career-track positions is rising and more of them are returning to work after taking childcare leave, not to mention the fact that men are helping out a lot more with child rearing, so I did get a sense that the Company is changing little by little.
- Connecting to, and talking with, other participants whom I wouldn't ordinarily talk with was really pleasing. I was able to come away with a more positive frame of mind.



Online meeting participants

Assigning Globally Minded Managers

So that we can incorporate thinking from different countries and regions into the Group's management, we are currently developing a framework that will enable us to operate the Group more globally. We are bolstering collaboration with overseas Group companies by appointing globally minded personnel*, including foreigners, to manager-equivalent positions at our head office, and we are also continuing to promote locally hired employees to executive positions at overseas Group companies. As of the end of September 2021, the ratio of locally hired employees either in a representative position or with an officer title at overseas Group companies had reached 70%—a sure sign that personnel hailing from different countries and regions hold positions of management throughout the Group.

*Foreign nationals, employees with at least three years of experience working overseas or at an overseas posting, or employees possessing business-level English.

Elevating Mid-Career Hires to Management Positions

Every year we recruit between 10 and 20 mid-career hires—equivalent to 10%–30% of all new hires over a 12-month period—based on their potential to be immediately effective in line with our business expansion. As of the end of September 2021, 85 (roughly 10% of the workforce) mid-career hires held a manager-equivalent position. We have plans to raise the weighting of mid-career hires as a percentage of all employees to around 30% by the fiscal year ending March 31, 2031, and we will continue to proactively recruit and promote them to managerial postings in the future.

Female manager targets and past results

		2019	2020	2021	2022	April 2022	April 2023 (target)	2028 (target)	2031 (target)
Kurita Water Industries	Ratio of female managers	1.1%	2.1%	2.4%	2.7%	4.0%	5% or higher	Around 10%	
	Ratio of women hired for career-track positions	New graduates	21%	19%	33%	31%		30%	—
		New graduates & mid-career	15%	20%	33%	28%		—	Around 30%–40%
Reference: Kurita Group	Ratio of female managers	9%	10%	12%	13%				
	Ratio of female employees (vs. entire workforce)	24%	24%	25%	25%				

Target and current weighting of mid-career hires

Kurita Water Industries	Weighting of mid-career hires as a percentage of all employees	10.2%	Around 30%
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Human Resources Management

Developing a Comfortable Working Environment for a Diverse Workforce

The Kurita Group is making every effort to create a workplace environment where each and every employee can work with peace of mind. We have in place systems that help employees balance their work with childcare, nursing care, and other life events, flexible working style arrangements for those wishing to work from home or remotely, and schemes that also take into account the situations of minorities

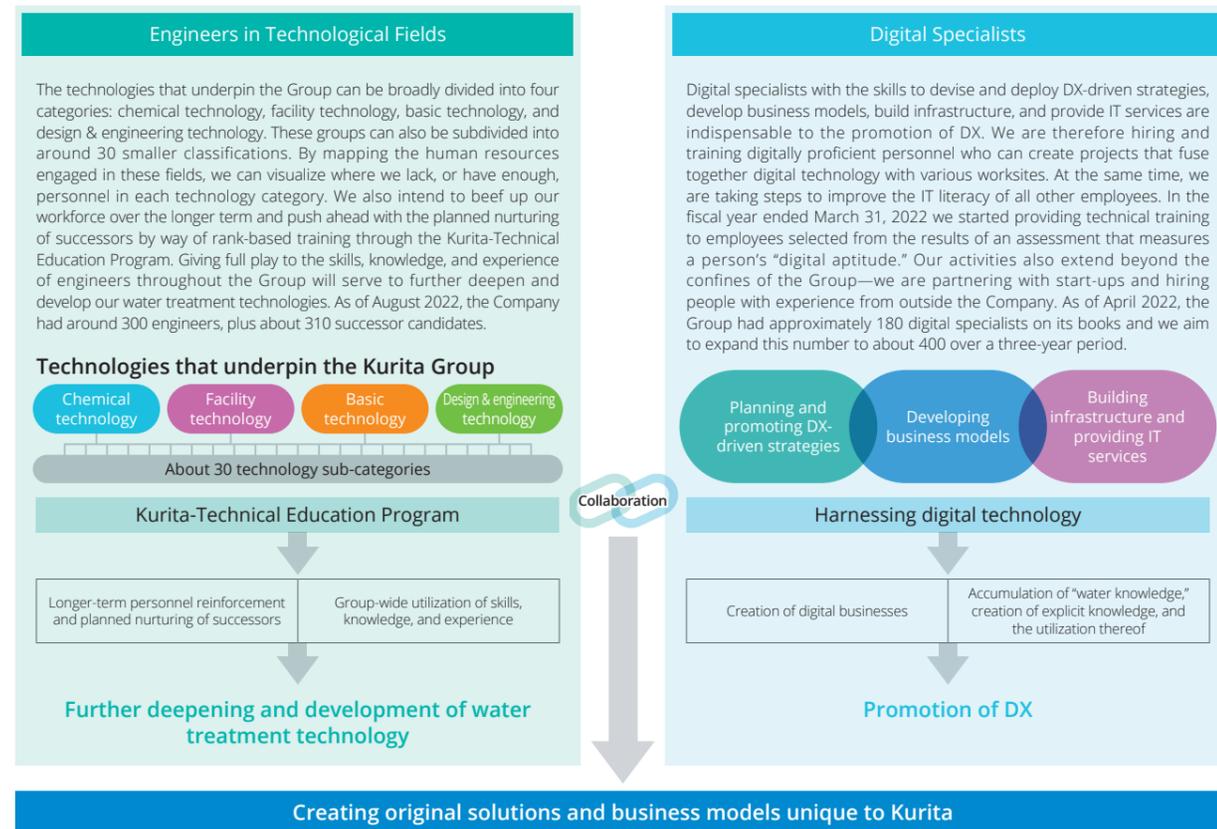
within the context of their SOGIE*, for example, by extending benefits and welfare to employees in a de facto or same-sex relationship. Not only are we encouraging officers and employees to know about, and utilize, these systems, we are working to create an environment in which all kinds of people can work at ease by running online training sessions and regular awareness campaigns.

*Sexual orientation, gender identity, and gender expression

Utilizing and Securing Human Resources

We continue to utilize and secure engineers that boast a profound knowledge of water treatment technology, as well as digital-savvy employees with the capacity to drive our digital transformation (DX). We

believe these human resources are indispensable to the accumulation and exploitation of “water knowledge” and the creation of original solutions.



External Evaluation

We have drafted and implemented an action plan based on Japan's Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children. In recognition of this initiative, we have been accredited by the Ministry of Health, Labour and Welfare with the “Kurumin” and “Eruboshi” (3 stars) certifications for our efforts as a corporation to offer support to employees raising children and to promote the empowerment of women in the workplace.



Kurumin



Eruboshi (3 stars)

Message from Officer in charge of HR



Hisashi Tanabe

Executive Officer
Executive General Manager of Corporate Planning and Management Office

The Kurita Group could be described as an assembly of people that identify with the Group's corporate philosophy: “Study the properties of water, master them, and we will create an environment in which nature and humanity are in harmony.” Every individual that identifies with this corporate philosophy, by creating value for customers, society, and the environment through their business activities, will perceive meaning in what they do and develop a greater sense of self-affirmation. This will foster even stronger identification with the philosophy, leading to an even greater commitment to value creation. This upward spiral in the personal ambitions of our employees is the driving force behind value creation, which is why human resources are a critical part of the Group's management platform.

Over the last few years, we had rolled out a number of HR measures, but these had yet to develop into a systematic form in connection with our management strategy. In the final year of the MVP-22 plan and with a view to the next medium-term management plan, the management team came together around the renewed consensus that we need to attach the meaning of HR initiatives to the management strategy and take an integrative approach to the initiatives so that the efforts of every employee can be mobilized as the driving force behind the Group's sustainable growth. The management team also considered how best to utilize human resources over the medium term. The framework that emerged from these discussions was the Company's D&I Vision, which was formulated in April 2021. In order to give shape to the Group's value creation story, the vision embodies key measures from two angles: the areas the Group as a whole must strengthen and the areas that need improving in line with the characteristics of each Group company. The former includes the fostering of a corporate culture to boost engagement (a component of the D&I Vision) and training and utilization for improving the expertise of engineers and other employees. The latter includes the development of organizational structures for strengthening business drivers in each country and region, along with HR systems.

Work has already started on some of these measures, but as it will take time for results from HR and organizational initiatives to emerge, we will roll them out over multiple years. I am particularly

keen to focus my efforts on strengthening the Company's HR systems. Like many other Japanese corporations, we make use of HR systems that emphasize fairness on the assumption of employee proficiency honed over the years as part of the collective hiring of new graduates with the promise of life-long employment until retirement. In the past, raising the proficiency level of employees uniformly and maintaining and improving the sum of experience and proficiency across the organization is how Japanese corporations gained a competitive edge as the economy continued to grow steadily and changes in business conditions were only ever moderate. Now, however, companies must respond flexibly to sudden and cataclysmic changes in an unpredictable operating environment, so it is inevitable that the old ways will be unsustainable going forward. Instead of simply offering prospective employees a choice between job-based or life-long employment, I think we must direct our attention to further enhancing our ability to solve the problems that have emerged as a result of bringing people together—which is one of our strengths—and our ability to conceive and solve potential issues by leveraging the considerable expertise of every person in the Company. In this way, we can strengthen our human resources by adopting systems that are more down-to-earth and better suited to the Company's actual situation.

The Kurita Group has a history of more than 70 years and has also evolved in recent years through M&As. As a result, we currently possess various technologies, products, and services in the fields of water and the environment, diverse points of contact with customer sites in many industries worldwide, and a diverse workforce of people from different backgrounds. So that we can harness this diversity, cope with changes in an increasingly unpredictable operating environment in each country, region, and industry where we have a presence, enable our diverse workforce to create value for customers, society, and the environment, and continue to provide solutions under various business models for every worksite, we intend to transform ourselves into a resilient corporate group with our corporate philosophy at the center of our approach by pressing forward with key measures designed to change how we utilize human resources over the medium term.

Environmental Improvement Activities

Basic Concept

The Kurita Group's Environmental Improvement Activities include initiatives to reduce internal water and energy use and waste. They also include activities to reduce environmental impact at customers who

use products and services related to water and the environment that the Kurita Group has developed over many years.

Please click on the link below for more information.
[Kurita Group Environmental Policy](https://www.kurita.co.jp/english/csr/management/policy/environment/index.html) <https://www.kurita.co.jp/english/csr/management/policy/environment/index.html>

Click on the links below for more information about Kurita's Environmental Improvement Activities.
[Solve Issues Related to Water Resources](https://www.kurita.co.jp/english/csr/csr_activity_growth/water_savings/water.html) https://www.kurita.co.jp/english/csr/csr_activity_growth/water_savings/water.html
[Realize Sustainable Energy Use](https://www.kurita.co.jp/english/csr/csr_activity_growth/climate_change/co2.html) https://www.kurita.co.jp/english/csr/csr_activity_growth/climate_change/co2.html
[Reduce Waste](https://www.kurita.co.jp/english/csr/csr_activity_growth/waste_reduction/waste.html) https://www.kurita.co.jp/english/csr/csr_activity_growth/waste_reduction/waste.html

How Environmental Improvement Activities Are Embedded in Management Strategy

In recent years, initiatives to address environmental issues are becoming an increasingly important factor in corporate management amid growing calls from shareholders and investors for ESG management. The Kurita Group promotes business models that help reduce water usage and CO₂ emissions. The Group therefore sees these trends as an opportunity to grow its business. By expanding our CSV business*, we aim both to create value for society while also driving the Group's growth. In parallel, to fulfill our corporate responsibility, we will reduce the environmental impact of the Group's business activities by addressing the issue of climate change based on the TCFD Recommendations, disclose environmental information in line with international standards, and conduct initiatives to achieve our medium- to long-term targets.

*For more details about CSV business, see page 24 and page 71.

Definition of the Kurita Group's Environmental Improvement Activities

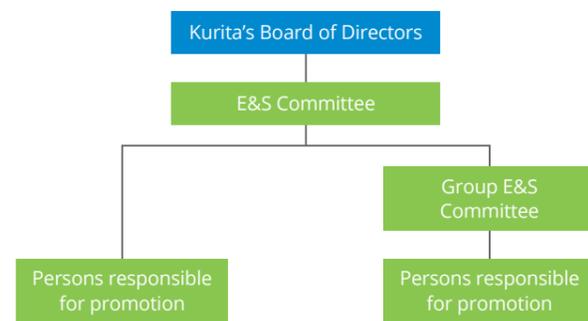
- 1) Activities to comply with the environment-related laws and regulations of each country and region that apply to the Group's business activities
- 2) Initiatives to solve international issues related to the sustainability of water and the environment through business activities
- 3) Disclosure of information related to 1) and 2), and engagement with customers, business partners, employees, shareholders and investors and local communities about the activities

Environmental Initiative Promotion System

The Kurita Group has established the E&S Committee, which is chaired by a Managing Director of the Company, and the Group E&S Committee, chaired by the same director and composed of representatives of Group companies. These committees oversee Environmental Improvement Activities in the Kurita Group. The E&S Committee formulates unified medium- to long-term targets for the Kurita Group's Environmental Improvement Activities and action plans for each fiscal year. Personnel responsible for promoting the initiatives (committee members or personnel designated by representatives of each company) are tasked with driving efforts to achieve Environmental Improvement Activities targets at their assigned company or organization. They report the status and results of the activities to the E&S Committee.

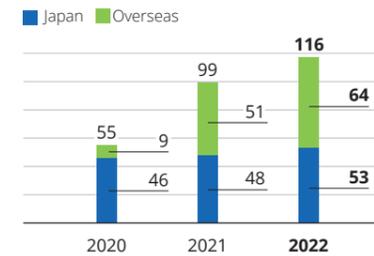
The E&S Committee ascertains stakeholder expectations and concerns and reports them to the Board of Directors along with outcomes from the Kurita Group's CSR activities once a year.

Promotion System

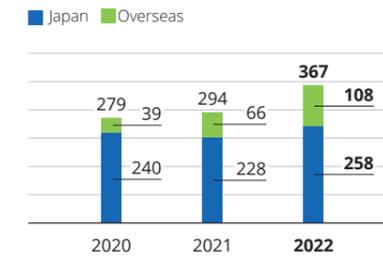


Reduction of Environmental Impact at Customers (Fiscal years ended March 31)

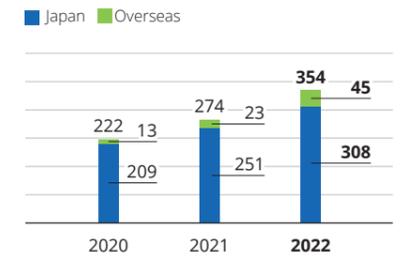
Water intake reduction (million m³)



CO₂ emissions reduction (1,000 t)

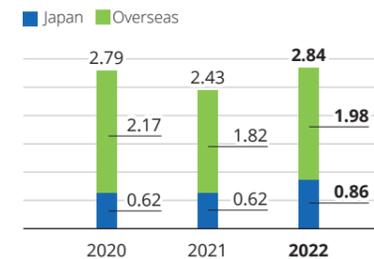


Waste reduction (1,000 t)

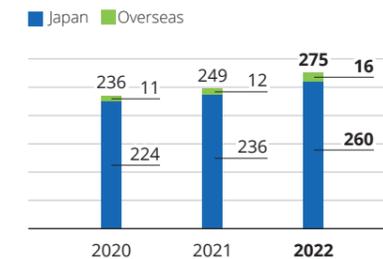


Internal Promotion of Environmental Improvements (Fiscal years ended March 31)

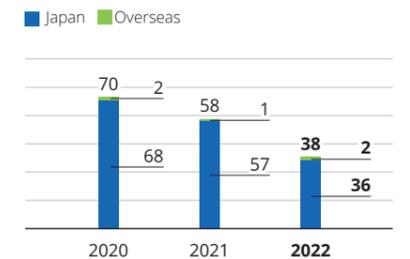
Water intake amount (million m³)



CO₂ emissions (1,000 t)*

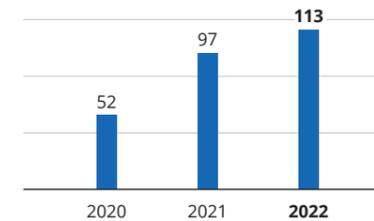


Waste amount (1,000 t)

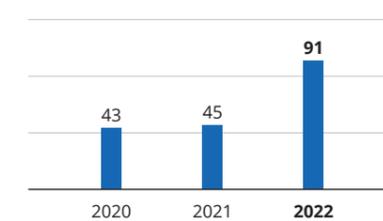


Kurita Group KPI: Customer Impact Reduction – Kurita Group Impact (Fiscal years ended March 31)

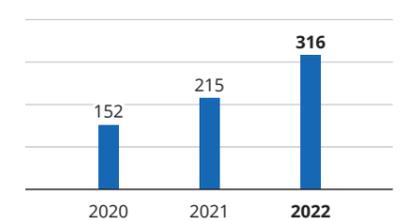
Water savings at customers – Amount of water intake used in our business activities (million m³)



CO₂ emissions reduction at customers – CO₂ emissions from our business activities (1,000 t)*



Waste reduction at customers – Waste generated from our business activities (1,000 t)



* "CO₂ emissions from our business activities" include emissions generated from the ultrapure water supply business, which comes under Category 13 of Scope 3, as well as emissions in Scope 1 and 2 stipulated in GHG (Greenhouse Gas) protocol.

ISO 14001 Certified Companies

Company	Office
Kurita Water Industries Ltd.	Shizuoka, Yamaguchi, Toyoura and Tsuruga plants; Sakai sub-branches
Kurita Chemical Manufacturing Ltd.	Head office, Ako plant
Kurita Buil-Tech Co., Ltd.	Head office
Kuritaz Co., Ltd.	Head office, West Japan branch office and nine other business sites
Kuritec Service Co. Ltd.	Head office, East Japan, Iga, Mie, Harima and Oita plants
Kurita-GK Chemical Co., Ltd.	Head office and Rayong branch
Kurita (Taiwan) Co., Ltd.	Head office and two other business sites
Kurita Water Industries (Dalian) Co., Ltd.	Head office and plant
Kurita Water Industries (Jiangyin) Co., Ltd.	Head office
Hansu Co., Ltd.	Head office and two other business sites

Company	Office
Kurita Europe GmbH	Head office and two other business sites
Kurita France S.A.S.	Head office and plant
Kurita Turkey Kimya A.S.	Head office and Bandirma plant
Kurita do Brasil LTDA.	Head office and three other business sites
Hansu Technical Service Ltd.	Head office
Kurita (Singapore) Pte. Ltd.	Head office and plant
Kurita Water (Malaysia) Sdn. Bhd.	Head office, plant and three other business sites
P.T. Kurita Indonesia	Head office
Kurita America, Inc.	Midwest Office and Manufacturing Plant

Environmental Improvement Activities

Initiatives to Address Climate Change

Basic Concept

The Kurita Group views climate change as an urgent issue that needs to be addressed globally, and based on the TCFD Recommendations, the Kurita Group will continuously reduce GHG generated by our

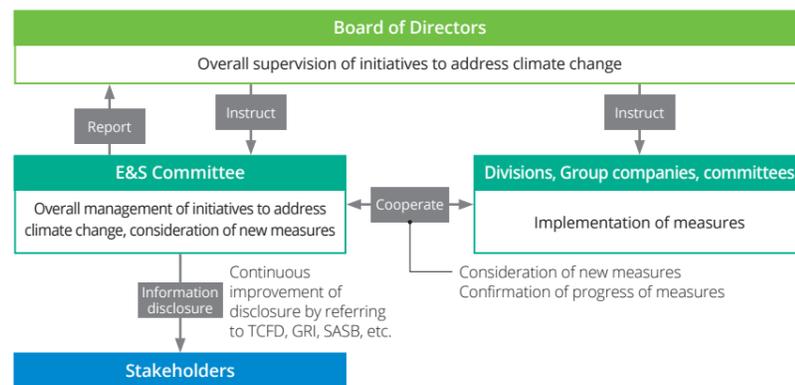
business activities and contribute to reducing GHG emissions for our customers through our business activities.

For more details, click on the link below.

[Initiatives to Address Climate Change https://www.kurita.co.jp/english/csr/csr_activity_growth/climate_change/pdf/issues_E.pdf](https://www.kurita.co.jp/english/csr/csr_activity_growth/climate_change/pdf/issues_E.pdf)

Promotion System

The Kurita Group has established the E&S Committee, which is chaired by a Managing Director of the Company and manages the Group's initiatives for climate change. The Board of Directors generally supervises initiatives for climate change issues and receives reports from the E&S Committee twice a year, in principle, and decides on the necessary measures.



Measures Based on Opportunities and Risks

Based on the two scenarios (1.5°C and 4°C)*1 outlined in IPCC SR1.5 and IPCC RCP8.5, the Kurita Group assessed short-, medium-, and long-term*2 risks, and opportunities and business impact, using the two axes of "likelihood of occurrence" and "impact." Measures were then formulated for the Kurita Group.

*1 Scenarios predicted by the Intergovernmental Panel on Climate Change (IPCC): the scenario of a 1.5°C temperature increase from pre-industrial levels and the scenario with the highest temperature increase.

*2 We set the time frames as short term (1-3 years), medium term (3-5 years), and long term (5-20 years).

Risks & Opportunities: Evaluation and Measures

Type	Details of risks & opportunities	Kurita Group measures
Policy and Legal	<ul style="list-style-type: none"> Introduction or increase of carbon tax Regulations for products and services with high GHG emissions Dissemination of supportive policy incentives to the conversion to energy with low GHG emissions 	<ul style="list-style-type: none"> Low-carbon products and services by utilizing digital technology and reviewing designs, etc.
Technology	<ul style="list-style-type: none"> Substitution of existing products and services with lower emissions options 	<ul style="list-style-type: none"> Reduction of Scope 1 and 2 emissions by switching to alternative fuels and renewable energies
Market	<ul style="list-style-type: none"> Decreasing demand from fossil fuel-related sectors Increasing demand in electronics industry due to the acceleration of DX Soaring costs of raw materials and energy 	<ul style="list-style-type: none"> Development and expansion of renewable energy-related businesses such as biomass power generation
Physical Risks	<ul style="list-style-type: none"> Increasing factory shutdowns and construction delays due to extreme weather events such as cyclones and floods Increasing operating rate of cooling equipment 	<ul style="list-style-type: none"> Continuous strengthening of business continuity in preparation for natural disasters such as flood control
Resource Efficiency	<ul style="list-style-type: none"> Dissemination of efficient production and distribution processes Reduction of water usage 	<ul style="list-style-type: none"> Utilization of digital technology and development of low-power technology
Energy Sources	<ul style="list-style-type: none"> Dissemination of energy with low GHG emissions Conversion to distributed energy resources 	<ul style="list-style-type: none"> Development and expansion of renewable energy-related businesses such as biomass power generation
Products & Services	<ul style="list-style-type: none"> Increasing demand for products and services with low GHG emissions Increasing diverse technical needs for reducing GHG emissions 	
Resilience	<ul style="list-style-type: none"> Substitution and diversification of fuel and water resources 	

Metrics, Targets, and Results

The Kurita Group has determined seven material themes to engage with in the Group's common CSR Policy in order to promote CSR-related initiatives. Theme 5 comprises initiatives for climate change, where we are working on initiatives in accordance with the Paris Agreement by setting long-term targets based on the methods presented by SBTi* for "Well-below 2°C level" with the fiscal year ended March 31, 2020, as the base year, and taking steps to reduce Scope 1, 2, and 3 emissions.

In the fiscal year ended March 31, 2022, Scope 1 and 2 emissions decreased by 11.5% compared to the fiscal year ended March 31,

2020, mainly due to promotion of energy saving activities including improved efficiency of facility utilization and discontinuation of manufacturing for certain items at Group companies overseas, despite the impact of an increase in energy usage due to a recovery in demand from the COVID-19 pandemic. In addition, Scope 3 emissions decreased by 20.3% compared to the base year due to a decrease in procurement of pumps, which were the main source of emissions.

* An initiative encouraging companies to set emissions reduction targets that conform with scientific knowledge with the goal of keeping the increase in global average temperature due to climate change well below 2°C compared to pre-industrial levels.

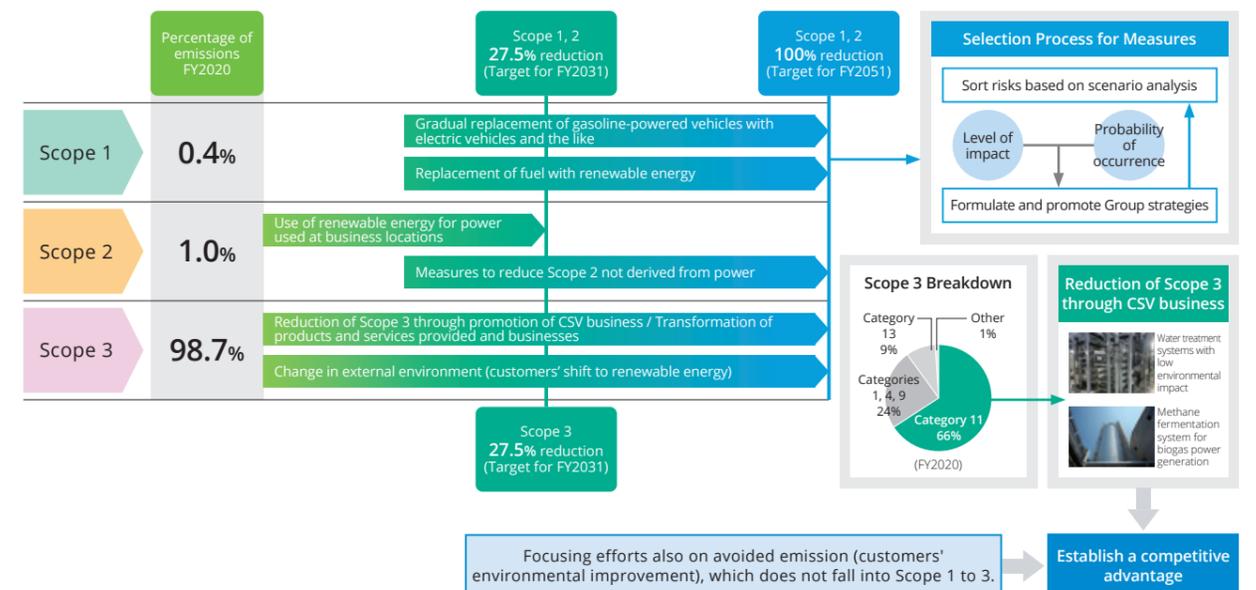
Metrics		Fiscal year ended March 31, 2020 (base year)*	Fiscal year ended March 31, 2021*	Fiscal year ended March 31, 2022	Long-term targets (reduction rate)	
					Fiscal year ending March 31, 2031	Fiscal year ending March 31, 2051
Scope 1+2	Emissions	35,000 t	30,000 t	31,000 t	27.5%	100%
	Reduction rate	—	12.7%	11.5%		
Scope 3	Emissions	2,569,000 t	2,436,000 t	2,048,000 t	27.5%	—
	Reduction rate	—	5.2%	20.3%		

* The Company found an error in the calculation method for Scopes 1 to 3, and has revised its performance figures for the fiscal years ended March 31, 2020 and March 31, 2021

Measures and Schedule for Achieving the Targets

For Scopes 1 and 2, the majority of emissions are Scope 2 emissions derived from electricity. Therefore, the Group will gradually switch to electricity from renewable energy sources and switching from gasoline-powered vehicles to electric vehicles.

Of Scope 3, approximately 70% of the Group's emissions are category 11 "Use of sold products (mainly motors such as pumps used for pumping water)," and the Group is promoting a shift to providing low-carbon solutions to customers using the CSV business system.



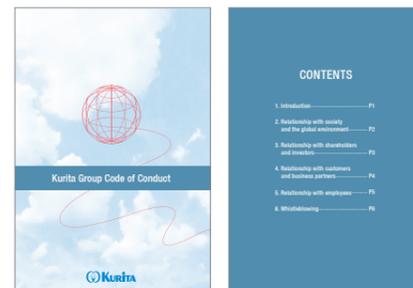
Compliance

Basic Concept

The Kurita Group conducts compliance activities that go beyond simply adhering to legal regulations, aiming to be a corporate group trusted by society and held in high esteem by all people who work in the Group. The Kurita Group Code of Conduct underpins all compliance activities. The code sets out how everyone who works in the Group should conduct themselves and has been translated into multiple

languages to raise awareness across the Group. To improve the effectiveness of compliance activities, each Company division and Group company formulates and updates their own compliance guidelines to pinpoint specific areas of behavior in the Code of Conduct that are especially relevant to their organization.

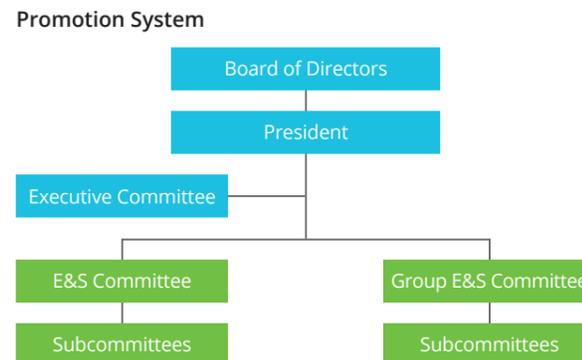
Stakeholder	Compliance areas
Society / global environment	Human rights, the environment, social contribution, repudiation of all links with antisocial forces, etc.
Shareholders / investors	Appropriate record-keeping and information disclosure, prevention of insider trading
Customers / business partners	Safe products and services, fair and appropriate trading, prevention of corruption, etc.
Employees	Health and safety, rigorous management of sensitive data and personal information, prevention of conflicts of interest, etc.



Kurita Group Code of Conduct
https://www.kurita.co.jp/english/philosophy_vision/pdf/philosophy_vision_01.pdf

Promotion System

The Kurita Group has established the E&S Committee and the Group E&S Committee as organizations to oversee compliance activities. Both committees are chaired by a managing director of the Company, and the Group E&S Committee's members are representatives of Group companies. The committees are tasked with deciding policies and key measures related to compliance activities, which are conveyed to all employees through subcommittees in each Company division and Group company.



Main Initiatives

Promoting Fair Business Practices

The Kurita Group ensures that fair business practices are promoted throughout the entire Group. We have formulated the Kurita Group Anti-Bribery Policy and the Kurita Group Antitrust Policy to complement the Kurita Group Code of Conduct. We have also formulated the Group Guideline on Anti-Bribery and the Group Guideline on Antitrust, which set out specific rules for relationships with public officials and representatives of competitor companies as these can lead to illegal actions. In the fiscal year ended March 31, 2022, we conducted training on observing competition laws for all officers and employees of the Company. In the fiscal year ending March 31, 2023, this training will be held for all officers and employees at the Group's overseas companies.

Achievements in the Fiscal Year Ended March 31, 2022

Antitrust compliance	<ul style="list-style-type: none"> Antitrust compliance training was held for officers and employees of the Company and its Group companies in Japan who may come into contact with competitors (100% participation rate)
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All-Employee Survey

The Kurita Group conducts an annual Compliance Behavior Survey of all Group employees and dispatch staff to evaluate the outcomes of compliance activities and identify any potential compliance risks. The results of the survey are used by the Company divisions and Group companies to plan and improve compliance activities. In the fiscal year ended March 31, 2022, 7,531 employees and temporary staff took the survey, equating to a response rate of 98.1%.

Preventive Compliance Measures

The Kurita Group develops compliance improvement targets and measures to prevent issues with compliance before they occur. Specifically, based on a Non-Compliance Risk Map, which is a list of roughly 60 legal infringement risks, the Company divisions and Group companies set priority measures tailored to their respective characteristics, referencing the results of the Compliance Behavior Survey conducted in the previous fiscal year. In the fiscal year ended March 31, 2022, we focused on preventing inappropriate accounting.

Whistle-Blowing and Consultation Desk

To ensure everybody who works in the Kurita Group feels comfortable in the workplace, the Kurita Group has established a consultation desk in the Group and at outside organizations to provide advice about questions or concerns related to the Kurita Group Code of Conduct and other internal regulations and to handle reports about behavior that infringes the Code, laws and regulations or the Group's internal rules. The consultation desk is also available for Kurita Group business partners to receive advice or report legal violations or misconduct by the Kurita Group. Anybody using the consultation desk to receive advice or report a violation is protected from unfavorable treatment. Kurita uses the consultation desk to rapidly identify and rectify misconduct.

In the fiscal year ended March 31, 2022, the third-party consultation desk was partially revised. The new consultation desk is operated by a qualified counselor and started operation in June 2021 with a view to increasing the ease of consultation. The new consultation window was used for 56 consultations in the fiscal year ended March 31, 2022, of which three were treated as consultation and whistleblowing cases.

There were 31 consultation and whistleblowing cases at the Group's internal and third-party consultation desks in the fiscal year ended March 31, 2022. In the fiscal year ending March 31, 2023, we are conducting education for officers and employees of the Company and domestic Group companies regarding how to use the consultation and whistleblowing desks, and we will continue working to promote knowledge of them internally.

Promoting Equitable Relationships with Business Partners

The Company and its domestic Group companies conduct annual business transaction compliance surveys of small and medium-size suppliers as part of efforts to promote equitable business relationships. If necessary, Kurita instructs the relevant department to investigate the situation or make improvements, which are confirmed later through follow-up contact.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total number of questionnaire surveys	1,286	1,562
Number of respondent companies	884	1,085
Scope of survey	Business partners of the Company and its domestic Group companies	
Survey method	Written and electronic responses	

Respect Human Rights

Basic Concept

The Kurita Group's businesses are dependent on relationships with many stakeholders, making respect for human rights an important factor in business management. As a member of society, Kurita has

formulated the Kurita Group Human Rights Policy to fulfill its responsibility to stakeholders on human rights and to contribute to the sustainable development of society.

Formulation and Operation of Personnel Management Guidelines

The Kurita Group has put in place the Kurita Group Personnel Management Guidelines with the aim of managing personnel based on a common approach throughout the Group. The guidelines set out basic approaches to personnel management such as management development, sincere employment, and respect for diversity. The

Group manages personnel in accordance with the guidelines, integrating them with the unique personnel management strategies of each company based on its individual circumstances, such as country, region, culture, and company culture.

Human Rights Awareness Training

Kurita Water Industries provides ongoing "Human Rights Training Programs" to raise employees' awareness of human rights. In the fiscal year ended March 31, 2022, training on the theme of diversity and inclusion was held for employees of the Company and Group companies in Japan, with 100% attendance by eligible personnel.

Furthermore, training is also held for the management of the Company and Group companies in Japan to increase awareness among management regarding themes of increasing importance in corporate management and to promote initiatives in unison with employees.

Initiatives for Human Rights throughout the Value Chain

The Kurita Group works with its suppliers to promote respect for human rights throughout the value chain by encouraging them to respect human rights through the prohibition of forced labor and child labor and the elimination of discrimination. The Group also confirms the status of compliance through regular monitoring surveys. Furthermore, the Group conducts due diligence on employees, suppliers, and local communities. In the fiscal year ended March 31, 2022, the Group identified potential human rights risks among people related to its business activities. In the process, we conducted

interviews with over 70 managers and others working in every country, region, and business domain. The Group identified the potential human rights risks in the value chain by reflecting advice from external human rights organizations on the results of these interviews and the discussion in the E&S Committee. In the fiscal year ending March 31, 2023, the Group will ascertain and evaluate the status of the identified potential human rights risks and use this information to create initiatives to suppress and mitigate the negative impacts going forward.

Human Rights Due Diligence Process

- 1 Incorporate responsible corporate activities into company policy and management systems (completed)
- 2 Identify potential human rights risks in the Company's business, supply chain, and business relationships (completed)
- 3 Ascertain and evaluate the status of potential human rights risks
- 4 Stop, prevent, and mitigate negative impacts
- 5 Conduct follow-up surveys of implementation status and results
- 6 Communicate how impacts have been handled
- 7 Where appropriate, conduct corrective measures, or cooperate on correction.

Financial Information/Corporate Information

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Financial Information

Management Indicators

(Millions of Yen)			
For the years ended March 31	2020	2021	2022
Orders	259,545	262,341	315,240
Net Sales	264,807	267,749	288,207
Business Profit	26,654	29,470	32,944
Business Profit Margin (%)	10.1	11.0	11.4
Profit Attributable to Owners of Parent	18,287	19,088	18,471
Return on Sales (%) ^{Note 1}	6.9	7.1	6.4
Total Assets (At Fiscal Year-End)	387,749	424,928	469,981
Total Assets Turnover (Times) ^{Note 2}	0.71	0.66	0.64
Equity Attributable to Owners of Parent (At Fiscal Year-End) ^{Note 3}	242,442	253,089	271,914
Equity Ratio (%) ^{Note 4}	62.5	59.6	57.9
Return on Assets (%) ^{Note 5}	4.9	4.7	4.1
Return on Equity (%) ^{Note 6}	7.6	7.7	7.0
Capital Expenditures (Property, Plant and Equipment and Right-of-Use Assets)	31,729	32,647	66,422
Depreciation (Property, Plant and Equipment and Right-of-Use Assets)	15,804	17,900	20,079
R&D Expenses	5,693	5,317	5,386
(Yen)			
Basic Earnings per Share ^{Note 7}	162.86	169.94	164.38
Equity per Share ^{Note 8}	2,158.96	2,252.86	2,419.58
Dividends per Share	62.00	66.00	72.00
Dividend Payout Ratio (%)	38.1	38.8	43.8
Number of Employees (At Fiscal Year-End)	6,737	7,465	7,661

Notes:

- Return on sales = Profit attributable to owners of parent ÷ Net sales × 100
- Total assets turnover = Net sales ÷ Total assets (Average)
- Equity attributable to owners of parent = Total equity less Non-controlling interests
- Equity ratio = Equity attributable to owners of parent ÷ Total assets × 100
- Return on assets = Profit attributable to owners of parent ÷ Total assets (Average) × 100
- Return on equity = Profit attributable to owners of parent ÷ Equity attributable to owners of parent (Average) × 100
- Calculation of Basic earnings per share is based on average number of shares outstanding (excluding treasury stock).
- Calculation of Equity per share is based on the number of shares at fiscal year-end (excluding treasury stock).

Financial Information

Financial Information

(Millions of Yen)				
For the years ended March 31		2020	2021	2022
Orders	Water treatment chemicals	113,777	103,579	118,401
	Water treatment facilities	145,768	158,762	196,839
	Total	259,545	262,341	315,240
Net Sales	Water treatment chemicals	113,632	103,231	117,672
	Water treatment facilities	151,174	164,518	170,534
	Total	264,807	267,749	288,207
Business Profit	Water treatment chemicals	11,667	12,287	13,589
	Water treatment facilities	15,061	17,129	19,391
	Adjustment	(74)	52	(36)
	Total	26,654	29,470	32,944
Operating Profit	Water treatment chemicals	10,127	11,816	14,560
	Water treatment facilities	17,390	19,634	21,169
	Adjustment	(38)	78	4
	Total	27,479	31,529	35,734
Assets Employed (At Fiscal Year-End)	Water treatment chemicals	119,960	123,476	148,267
	Water treatment facilities	209,015	233,530	274,119
	Adjustment	58,774	67,921	47,595
	Total	387,749	424,928	469,981
Capital Expenditures	Water treatment chemicals	6,853	8,719	11,454
	Water treatment facilities	26,428	25,848	57,016
	Total	33,281	34,568	68,471
Depreciation and Amortization	Water treatment chemicals	5,496	4,986	5,935
	Water treatment facilities	13,204	15,752	17,477
	Total	18,700	20,739	23,412
R&D Expenses	Water treatment chemicals	2,002	1,722	1,531
	Water treatment facilities	3,691	3,594	3,855
	Total	5,693	5,317	5,386

Financial Information

Consolidated Statement of Financial Position

(Millions of Yen)

As of March 31	2021	2022
Assets		
Current assets		
Cash and cash equivalents	62,228	45,730
Trade and other receivables	97,745	108,892
Other financial assets	2,817	3,075
Inventories	9,911	13,132
Other current assets	3,780	7,564
Total current assets	176,482	178,396
Non-current assets		
Property, plant and equipment	117,603	161,034
Right-of-use assets	19,405	19,042
Goodwill	55,596	62,992
Intangible assets	17,320	18,092
Investments accounted for using equity method	1,578	1,191
Other financial assets	33,563	23,011
Deferred tax assets	3,199	6,071
Other non-current assets	177	150
Total non-current assets	248,445	291,585
Total assets	424,928	469,981

(Millions of Yen)

As of March 31	2021	2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	46,506	57,967
Bonds and borrowings	445	8,180
Lease liabilities	4,373	4,683
Other financial liabilities	—	19,613
Income taxes payable	8,135	8,663
Provisions	1,847	1,529
Other current liabilities	13,644	13,289
Total current liabilities	74,952	113,927
Non-current liabilities		
Bonds and borrowings	31,207	30,953
Lease liabilities	15,327	14,862
Other financial liabilities	13,703	1,757
Retirement benefit liability	18,027	18,144
Provisions	1,160	2,335
Deferred tax liabilities	2,368	2,646
Other non-current liabilities	10,343	7,491
Total non-current liabilities	92,137	78,191
Total liabilities	167,090	192,119
Equity		
Share capital	13,450	13,450
Capital surplus	(2,212)	(3,076)
Treasury shares	(10,787)	(10,694)
Other components of equity	8,500	12,161
Retained earnings	244,138	260,073
Equity attributable to owners of parent	253,089	271,914
Non-controlling interests	4,748	5,948
Total equity	257,837	277,862
Total liabilities and equity	424,928	469,981

Financial Information

Consolidated Statement of Profit or Loss

(Millions of Yen)

For the years ended March 31	2021	2022
Net sales	267,749	288,207
Cost of sales	(173,073)	(183,928)
Gross profit	94,676	104,278
Selling, general and administrative expenses	(65,206)	(71,334)
Other income	5,929	6,119
Other expenses	(3,870)	(3,329)
Operating profit	31,529	35,734
Finance income	545	601
Finance costs	(1,923)	(6,176)
Share of profit (loss) of investments accounted for using equity method	(999)	(80)
Profit before tax	29,150	30,079
Income tax expense	(9,326)	(10,454)
Profit	19,824	19,624
Profit attributable to		
Owners of parent	19,088	18,471
Non-controlling interests	735	1,153
Profit	19,824	19,624
Earnings per share		
Basic earnings per share (Yen)	169.94	164.38
Diluted earnings per share (Yen)	—	—

Financial Information

Consolidated Statement of Comprehensive Income

(Millions of Yen)

For the years ended March 31	2021	2022
Profit	19,824	19,624
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured at fair value through other comprehensive income	5,202	520
Remeasurements of defined benefit plans	(234)	417
Total of items that will not be reclassified to profit or loss	4,968	938
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,851	8,692
Cash flow hedges	(594)	131
Share of other comprehensive income of investments accounted for using equity method	24	121
Total of items that may be reclassified to profit or loss	4,280	8,944
Total other comprehensive income	9,249	9,883
Comprehensive income	29,073	29,507
Comprehensive income attributable to		
Owners of parent	28,021	27,501
Non-controlling interests	1,052	2,005
Comprehensive income	29,073	29,507

Financial Information

Consolidated Statement of Changes in Equity

For the year ended March 31, 2021

(Millions of Yen)

	Equity attributable to owners of parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
Balance as of April 1, 2020	13,450	8,212	(10,893)	(9,033)	503	8,747	—	216	231,456	242,442	1,666	244,108
Profit	—	—	—	—	—	—	—	—	19,088	19,088	735	19,824
Other comprehensive income	—	—	—	4,560	(594)	5,202	(235)	8,932	—	8,932	316	9,249
Comprehensive income	—	—	—	4,560	(594)	5,202	(235)	8,932	19,088	28,021	1,052	29,073
Purchase of treasury shares	—	—	(4)	—	—	—	—	—	—	(4)	—	(4)
Dividends	—	—	—	—	—	—	—	—	(7,076)	(7,076)	(1,013)	(8,090)
Share-based remuneration transactions	—	9	111	—	—	—	—	—	—	120	(9)	111
Changes in ownership interest in subsidiaries	—	(991)	—	4	—	—	—	4	—	(986)	(208)	(1,194)
Increase (decrease) by business combination	—	—	—	—	—	—	—	—	—	—	3,260	3,260
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	(10,578)	—	—	—	—	—	—	—	(10,578)	—	(10,578)
Transfer from other components of equity to retained earnings	—	—	—	—	—	(888)	235	(653)	653	—	—	—
Other	—	1,135	—	—	—	—	—	—	16	1,152	—	1,152
Total transactions with owners	—	(10,424)	106	4	—	(888)	235	(648)	(6,406)	(17,373)	2,029	(15,344)
Balance as of March 31, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060	—	8,500	244,138	253,089	4,748	257,837

For the year ended March 31, 2022

(Millions of Yen)

	Equity attributable to owners of parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
Balance as of April 1, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060	—	8,500	244,138	253,089	4,748	257,837
Profit	—	—	—	—	—	—	—	—	18,471	18,471	1,153	19,624
Other comprehensive income	—	—	—	7,962	131	520	415	9,030	—	9,030	852	9,883
Comprehensive income	—	—	—	7,962	131	520	415	9,030	18,471	27,501	2,005	29,507
Purchase of treasury shares	—	—	(5)	—	—	—	—	—	—	(5)	—	(5)
Dividends	—	—	—	—	—	—	—	—	(7,865)	(7,865)	(943)	(8,809)
Share-based remuneration transactions	—	57	98	—	—	—	—	—	—	155	23	179
Changes in ownership interest in subsidiaries	—	(1,115)	—	—	—	—	—	—	—	(1,115)	(268)	(1,384)
Increase (decrease) by business combination	—	—	—	—	—	—	—	—	—	—	357	357
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(4,954)	(415)	(5,369)	5,369	—	—	—
Other	—	193	—	—	—	—	—	—	(41)	152	26	179
Total transactions with owners	—	(864)	93	—	—	(4,954)	(415)	(5,369)	(2,536)	(8,677)	(805)	(9,483)
Balance as of March 31, 2022	13,450	(3,076)	(10,694)	3,493	40	8,627	—	12,161	260,073	271,914	5,948	277,862

Financial Information

Consolidated Statement of Cash Flows

(Millions of Yen)

For the years ended March 31	2021	2022
Cash flows from operating activities		
Profit before tax	29,150	30,079
Depreciation and amortization	20,739	23,412
Share of loss (profit) of investments accounted for using equity method	999	80
Loss (gain) on sale of fixed assets	(1,333)	(4,073)
Decrease (increase) in inventories	254	(1,918)
Decrease (increase) in trade and other receivables	746	(6,713)
Increase (decrease) in trade and other payables	(2,904)	1,459
Other	(3,410)	(828)
Subtotal	44,242	41,497
Interest received	153	177
Dividends received	360	601
Interest paid	(213)	(232)
Income taxes paid	(4,541)	(13,308)
Net cash provided by operating activities	40,002	28,737
Cash flows from investing activities		
Payments into time deposits	(1,856)	(2,348)
Proceeds from withdrawal of time deposits	1,588	2,175
Purchase of property, plant and equipment	(14,055)	(55,096)
Proceeds from sale of property, plant and equipment	8,401	8,743
Purchase of intangible assets	(1,909)	(2,038)
Proceeds from sale of investment securities	2,533	9,197
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(4,599)	(2,401)
Other	(874)	1,839
Net cash used in investing activities	(10,771)	(39,929)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	(35,001)	7,577
Proceeds from issuance of bonds	29,882	—
Repayments of long-term borrowings	(645)	(485)
Repayments of lease liabilities	(5,033)	(5,005)
Dividends paid	(8,083)	(8,797)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(1,440)
Other	29	224
Net cash used in financing activities	(18,852)	(7,927)
Effect of exchange rate changes on cash and cash equivalents	1,634	2,622
Net increase (decrease) in cash and cash equivalents	12,013	(16,497)
Cash and cash equivalents at beginning of period	50,215	62,228
Cash and cash equivalents at end of period	62,228	45,730

Corporate Information

Stock Information (As of March 31, 2022)

Stock Exchange Listing: Prime Market of the Tokyo Stock Exchange (As of April 4, 2022)

Number of Authorized Shares: 531,000,000

Number of Shares Outstanding: 116,200,694 (Including 3,575,201 shares of treasury stock)

Number of Shares Per Lot: 100

Number of Shareholders: 21,980

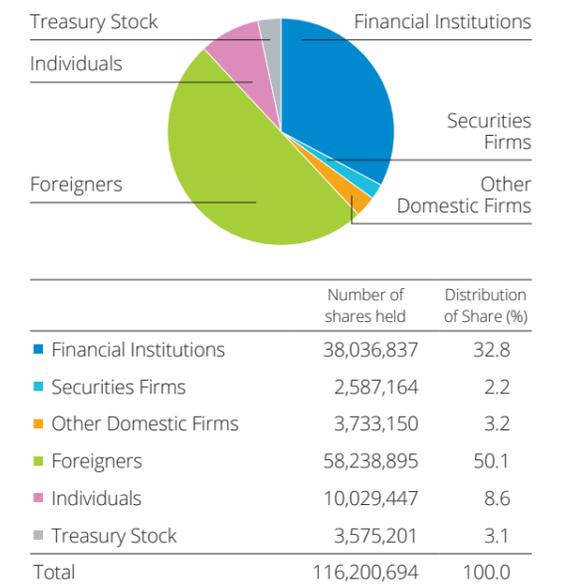
Independent Accounting Auditor: Grant Thornton Taiyo LLC
Akasaka K-tower 22F, 1-2-7, Motoakasaka, Minato-ku, Tokyo 107-0051, Japan

Transfer Agent: Sumitomo Mitsui Trust Bank, Ltd.
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

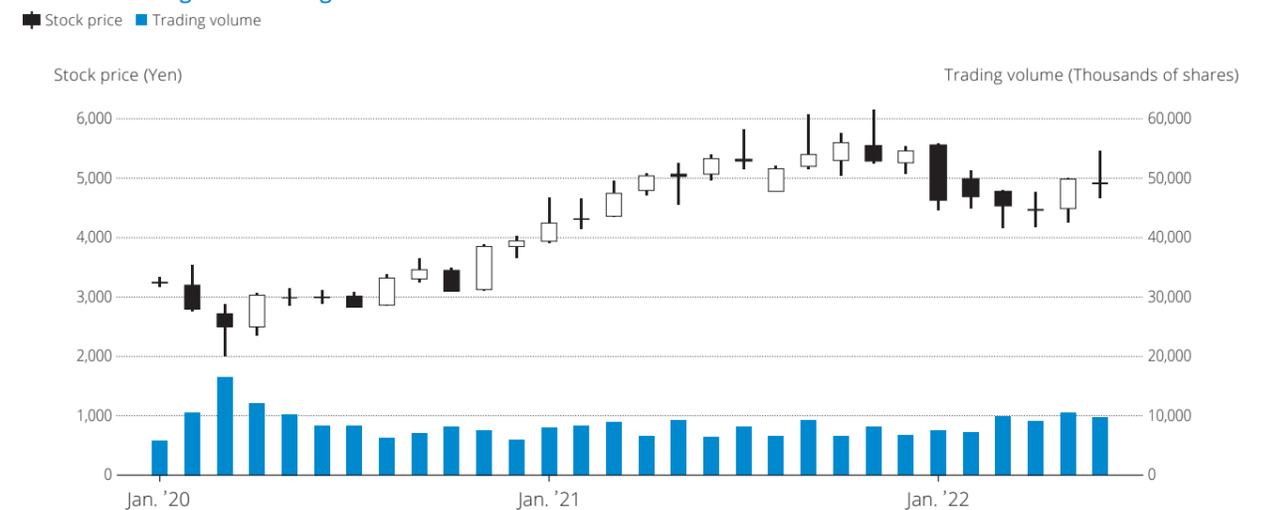
Major Shareholders

	Number of shares held	Share (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,627,600	14.30
Custody Bank of Japan, Ltd. (Trust Account)	6,196,557	5.33
Nippon Life Insurance Company	5,979,883	5.14
Kurita Water Industries Ltd.	3,575,201	3.07
CACEIS BANK, LUXEMBOURG BRANCH/ UCITS CLIENTS ASSETS	2,334,781	2.00
MUFG Bank, Ltd.	2,056,131	1.76
STATE STREET BANK WEST CLIENT - TREATY 505234	1,812,829	1.56
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,725,400	1.48
STATE STREET BANK AND TRUST COMPANY 505025	1,667,233	1.43
JP MORGAN CHASE BANK 385781	1,434,789	1.23

Distribution of Shares by Shareholder Type



Stock Price Range and Trading Volume



Corporate Information

Corporate Data

Company Name Kurita Water Industries Ltd.
Address 10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
Date of Establishment July 13, 1949
Paid-in Capital ¥13,450,751,434
Number of Employees 7,661 (on a consolidated basis); 1,673 (parent company) (As of March 31, 2022)

Kurita Innovation Hub
 3993-15, Haijimacho, Akishima-shi, Tokyo 196-0002, Japan
 Tel: 81 (42) 503-6008
Engineering Center:
 8-7-2, Shimorenjaku, Mitaka-shi, Tokyo 181-0013, Japan
 Tel: 81 (422) 35-6392
Other Offices:
 Shizuoka Plant, Tohoku Office, Nagoya Office, Hiroshima Office, etc.

Major Domestic Offices
Head Office:
 Nakano Central Park East (General Reception on 10F), 10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
 Tel: 81 (3) 6743-5000
Osaka Office:
 Hommachi Sankei Building 16F, 3-9, Hommachi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0053, Japan
 Tel: 81 (6) 7638-1226

Main Domestic Consolidated Group Companies (As of March 31, 2022)

- **Sale of water treatment chemicals**
 Kurita Buil-Tech Co., Ltd.
 Kurita BMS Co., Ltd.
 Kurita Tokai Ltd.
 Kurita Hokuriku Ltd.
 Kurita Sanyo Ltd.
- **Sale of water treatment chemicals and provision of maintenance services for water treatment facilities**
 Kurita Hokkaido Ltd.
 Kurita Kitakantou Co., Ltd.
 Kurita Kanto Ltd.
 Kurita Kansai Ltd.
 Kurita Kyusyu Ltd.
- **Manufacture of water treatment**
 Kurita Chemical Manufacturing Ltd.
- **Water quality and environmental analysis**
 Kurita Analysis Service Co. Ltd.
- **Sale and maintenance services of water treatment facilities**
 Kurita Meiki Ltd.

- **Precision Tool cleaning**
 Kuritec Service Co., Ltd.
 San-ei Industries Co., Ltd.
 Nippon Fine Co., Ltd.
 Aoi Industries Co., Ltd.
- **Operation and maintenance of water treatment facilities**
 Kuritaz Co., Ltd.
- **Engineering cleaning**
 Miyoshi Industries Co., Ltd.
- **Manufacture and sale of water treatment equipment and products for general households**
 Kurita Creation Co., Ltd.
- **Soil and groundwater remediation**
 Land Solution Inc.
 Land Management Inc.
- **Other businesses**
 Kurita Sogo Service Co., Ltd.
 With Kurita Ltd.
 Kurita Corporate Service LLC

Main Overseas Group Companies (As of July 1, 2022)

Region	Overseas consolidated subsidiaries and affiliated companies	Year of establishment	Paid-in capital (Millions)	Equity ownership (%)	Business segment		
					Water Treatment Chemicals	Water Treatment Facilities	Others
Asia	Kurita Water Industries (Dalian) Co., Ltd.	1995	¥550	90.1	●		
	Kuritec (Shanghai) Co., Ltd.	2001	¥30	100.0		●	
	Kurita Water Industries (Suzhou) Ltd.	2004	¥530	100.0		●	
	Kurita Water Industries (Jiangyin) Co., Ltd.	2015	US\$16	100.0	●		
	Hansu Co., Ltd.	1974	W2,500	100.0	●		
	Hansu Technical Service Ltd.	1988	W26,400	100.0		●	
	Kurita (Taiwan) Co., Ltd.	1987	NT\$70	100.0	●	●	
	Kurita (Singapore) Pte. Ltd.	1978	S\$11	100.0	●	●	
	Kurita Water (Malaysia) Sdn. Bhd.	1994	RM\$0.6	100.0	●	●	
	Kurita-GK Chemical Co., Ltd.	1989	BAHT204	85.0	●		
	Kurita-GK Vietnam Co., Ltd.	2016	US\$0.5	85.0	●		
EMEA	P.T. Kurita Indonesia	1986	US\$2	92.5	●	●	
	Kurita R&D Asia Pte. Ltd.	2017	S\$3	100.0			●
	Kurita Europe GmbH	1989	EUR50	100.0	●		
	Kurita UK Ltd.	2019	0.000065GBP	100.0	●		
	Kurita France S.A.S.	2015	EUR5	100.0	●		
	Kurita Ibérica SL	2015	EUR1	100.0	●		
	Kurita Turkey Kimya A.S.	2015	TRY5.7	100.0	●		
	Kurita Sverige AB	2015	SEK0.1	100.0	●		
	Kurita Polska SP.z.o.o.	2016	EUR3.27	100.0	●		
	Kurita Italia S.r.l.	2021	EUR1	100.0	●		
North & South America	Kurita AquaChemie Limited	2020	0.1AED	51.0	●		
	Kurita America, Inc.	1975	US\$0.00001	100.0	●	●	
	Keytech Water Management	1981	2.1CAD	100.0	●		
	Pentagon Technologies Group, Inc.	1998	US\$0.002	100.0		●	
	Avista Technologies, Inc.	1999	US\$0.003719	100.0	●		
Fracta	2015	US\$0.89	95.5			●	
Kurita do Brasil LTDA.	1975	R\$6.9	100.0	●			